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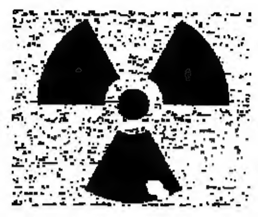

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Prodi aims to move quickly to form Italian government

Romano Prodi, leader of Italy's victorious Olive Tree centre-left alliance, said a new government could be quickly formed following last weekend's elections. He won the endorsement yesterday of of Fausto Bertinotti, leader of Reconstructed Communism party whose 35 deputies are essential if the Olive Tree is to form a majority in the lower house. But though Mr Prodi told a news conference he wanted to start selling off Stet by the end of this year, the RC leader said his party opposed the plan. Page 14

Chechen rebel leader's fate a mystery:

Confusion last night surrounded the fate of Chechen separatist leader Dzhokhar Dudayev (left) after a news agency reported that he had been killed. The story delighted Russian troops, but some Chechen representatives denied the claim and Russian government officials could not confirm it. The Russian agency Itar-Tass said the former Soviet air force general had died on Sunday in a Russian rocket attack on a Chechen village. Page 14

Bank secrecy attacked: Banks which transmit money without knowing their customers or the purpose of transactions are no better than prostitutes, a US federal prosecutor told a conference on money laundering. Page 8

Nato force to stay: Senior Nato generals meeting in Brussels agreed there should be no cuts in the 60,000-strong peace mission in Bosnia until after mid-September. Originally Nato's military planners had foreseen reducing the peace force by the end of June.

Seven killed in clashes: Seven people including an Egyptian police general were killed when hundreds of police clashed with three gunmen in the south of the country. The three were suspected of killing 18 Greeks in Cairo last week.

Hong Kong telecoms: Hong Kong's telecom regulator is liberalising some areas of international services – but will not be touching Hongkong Telecom's lucrative monopoly on international direct dialled calls. Page 15

Digital shares surge: Digital Equipment's shares surged after the US computer maker reported a 68 per cent jump in net third-quarter income. Page 15

Japan considers US standard: Japanese cellular phone companies are considering adopting a US standard for digital phones in a move to use radio frequencies more effectively. Page 14

Profits warning from Rémy: French drinks group Rémy Cointreau said profits would fall but its dividend would be maintained. The market shrugged off the news. Page 15

Iraq oil talks in trouble: Iraq accused the US and Britain of virtually rewriting a draft deal on an oil-for-food plan that would allow Baghdad to return to the oil market. The UN offered to let Iraq sell $2bn of oil over six months to raise money for food and medicine for its people.

Sino-Russian crime accord: China and Russia are join forces in fighting crime by signing police co-operation treaties during Russian president Boris Yeltsin's visit to China this week. **Background, Page 4**

Branson sued: A former public relations manager for Virgin Atlantic Airways, Elizabeth Hlinko, has sued the airlines' chief executive Richard Branson for sexual harassment. The suit, filed in Manhattan, also accuses the airline and another executive of discrimination that led to Ms Hlinko's dismissal by Virgin last July.

Beijing wants peaceful N-tests: China said it was not yet ready to cease the use of "peaceful" nuclear explosions. At last week's Moscow summit on nuclear safety, Russia for the first time formally backed a global ban on all nuclear tests.

Walt Disney in the red: A $525m charge to cover taking over ABC/Capital Cities and associated accounting changes helped push entertainments group Walt Disney into a $25m second quarter loss. Page 19

Keating bows out: Former Australian Labor prime minister Paul Keating resigned from parliament, ending a 27-year political career. His government was easily defeated in March by a conservative coalition.

EU warns Britain over beef ban

Restrictions will remain until proof that BSE threat is over

By Caroline Southey in Brussels

The European Union's ban on worldwide exports of British beef would not be lifted before measures to control BSE, or mad cow disease, had proved effective, Mr Franz Fischler, the EU Commissioner for agriculture, warned yesterday.

But Mr Douglas Hogg, the British agriculture minister, said he believed EU agriculture ministers would support a relaxation of the ban in the light of action already taken by the British government. The ministers are due to meet in Luxembourg on Monday and Tuesday.

Mr Hogg said he had not discussed retaliatory measures against the EU over the ban with Mr Fischler, further evidence that the British government is backtracking on a threat to consider such a move.

"We were talking about how, together, we can satisfy the council ... as to our honest desire to see a serious reduction in the incidence of BSE in the UK herd," he said.

While both men described the talks as useful, EU officials warned efforts to resolve the crisis could be derailed by London's attempts to make political capital out of the ban.

"The problem is in Whitehall. They can't seem to work out if they can get more votes out of confrontation or from ending the crisis," an EU official said.

Mr Fischler and Mr Hogg discussed Britain's plans for selective slaughtering to eradicate mad cow disease and its demand that agreement on targetted slaughtering be linked to an EU pledge that the ban would be lifted.

Mr Fischler said Mr Hogg had "explained some ideas concerning a selective slaughtering programme", that he was still waiting for the proposals in writing and hoped the final programme would be submitted by Monday.

Mr Hogg declined to confirm reports that the culling programme would involve killing 40,000 cattle, saying he had discussed the general concepts of a selective slaughter policy. "We talked about principles rather than having tight formulations of numbers," he said.

Mr Hogg said he hoped steps taken by Britain to ensure beef safety and reduce BSE would satisfy the Commissioner, the veterinary committee and the council.

"The council is likely to support a relaxation of the ban against the background of the steps we have taken to assure human and animal health," Mr Hogg said. These actions "reinforce the proposition that there should be an early relaxation in the ban, moving to a total lifting as rapidly as possible".

But Mr Fischler said the Commission had "always seen the question as a relation between cause and effect. That is to say that the measures that have been agreed on in the council have to be in effect and to be monitored. This is the pre-requisite for lifting the ban."

Mr Fischler also said an "expert monitoring group" was in the UK observing measures taken by the government to ensure the safety of beef and to control BSE. The group is due to report on Friday.

Mr Hogg said he was sure the experts would report back favourably, adding that he hoped to be able to "say things to my colleagues [in Luxembourg] that are very reassuring in terms of the safety of British beef".

Mr Hogg said the government was exploring the possibility of exemptions, such as grass-fed herds, from the requirement that cattle over 30-months of age be removed from the food chain.

Protesters give away beef, Page 9

Merger plan hits Mexico telecoms monopoly

By Leslie Crawford and Daniel Dombey in Mexico City

A powerful merger in Mexico's telecommunications industry yesterday upset the share price of Teléfonos de México (Telmex), the monopoly which will face a barrage of competition when the country's lucrative long-distance telecoms market opens next January.

AT&T of the US and Alfa, one of Mexico's largest industrial conglomerates, on Monday announced they were joining forces with GTE of the US, Telefónica of Spain and Bancomer, Mexico's second-largest bank, to compete with Telmex in long-distance telephony. Before the alliance was announced, each group had been planning investments of $1bn to provide rival services.

Telmex shares, which dominate trading on the Mexico City stock exchange, were down 2.19 per cent in mid-session despite acceptable first-quarter results.

The new alliance, named Alestra, was hailed as the beginning of a shake-out in Mexico's $7bn telecoms industry.

Seven groups applied for licences to provide long-distance services when the liberalisation of the telecoms sector was announced last year, but all of them are struggling to raise the large sums of capital required to launch their ventures.

Only Avantel – an alliance between MCI of the US and Banamex, Mexico's largest bank – has started digging trenches to lay down its fibre-optic network between Mexico's largest cities.

Both Telmex and stock market analysts yesterday welcomed the consolidation of the industry.

Mr Jaime Chico Pardo, Telmex chief executive, said: "The recent merger of two of our competitors is probably good for the market. We prefer fewer and stronger competitors to more and weaker players in the market."

Mr Ricardo Peón, director of research at ING Barings in Mexico City, said the Alestra alliance, which whittled down competition to two serious

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Seeking second wind, Page 13
Telmex slides 25.3%, Page 19

Assad 'not available' to meet Christopher in Damascus ■ Conflict enters 13th day

US secretary of state Warren Christopher (left) arrives yesterday in Damascus where he was snubbed by Syrian president Hafez al-Assad. On the right is Syria's foreign minister Farouq ash-Shara'a. Picture: Reuter

Syria snubs US efforts over Lebanon ceasefire

By David Gardner in Beirut and Julian Ozanne in Jerusalem

US efforts to secure a ceasefire in south Lebanon between Israel and pro-Iranian Hizbollah guerrillas suffered a setback last night, after President Hafez al-Assad of Syria, the main military power in Lebanon, snubbed Mr Warren Christopher, US secretary of state.

Before he left Jerusalem for Damascus for what was to have been his third meeting with Mr Assad since Saturday, Mr Christopher said his mediation had entered "a very intense period". But he was seen only by Syrian foreign minister Farouq ash-Shara'a on his return to Damascus, and was told that the Syrian president was not available.

Israel, meanwhile, continued its bombing and shelling of Lebanese territory, while Shia Moslem guerrillas returned fire with their ineffectual Katyusha rockets. In one attack early yesterday, Israeli jets destroyed a reservoir at Sultaniyeh, south-east of the port of Tyre, removing another piece of the infrastructure that Lebanon has struggled to replace after the devastation of its 1975-90 civil war and Israel's 1982-85 invasion.

Israeli warships continued to pound the coastal highway near Sidon, cutting the artery linking south Lebanon to Beirut and preventing food and medicine from reaching tens of thousands of refugees driven north by the bombardment.

But as the conflict entered its 13th day, UN forces in the south said the ferocity of the cross-border firing was at about half the level of last week, with Israel mounting 25 air raids in the 24 hours after 6am on Monday, and firing 1,400 shells, and Hizbollah responding with 90 Katyushas.

Mr Christopher was moving between Jerusalem and Damascus in an attempt to get agreement on a formula for a ceasefire and "written understandings to prevent this kind of fighting in future", Mr Nicholas Burns, state department spokesman, said. But the snub, and Mr Christopher's return to Jerusalem last night appeared to rule out any early breakthrough.

Washington had initially wanted not only a return to a 1993 understanding, brokered by Mr Christopher, whereby Israel and Hizbollah would refrain from targeting civilians, but a deal whereby guerrilla attacks on Israeli forces inside the south Lebanon "security zone" occupied by Israel would cease. The US intention is to "prevent hostilities on either side of the Lebanon-Israel border", Mr Burns said yesterday.

This skirts the question of where the border is, because of a 14-year Israeli occupation which Syria, Lebanon, and Hizbollah's financier Iran, insist the Islamist guerrillas are entitled to resist. Lebanon, moreover, whose prime minister Mr Rafik al-Hariri has been in intense negotiations with Mr Assad in the past 48 hours, is determined that the issue of the Israeli occupation should be part of any new understanding with Israel.

France, whose foreign minister Mr Hervé de Charette started mediation efforts before the US, had argued for a more codified version of the 1993 undertakings.

However, according to the Israeli daily newspaper Haaretz, Mr de Charette has now also suggested a deal to commit Israel, Syria and Lebanon to resume talks on a permanent peace, with a phased withdrawal of Israeli forces from south Lebanon to be replaced by a mixed multinational force and the Lebanese army.

The US, with Israeli backing, has insisted that it is the only power capable of securing a deal, while refusing to talk to Hizbollah or Iran. Mr Christopher's difficulty is that Syria, Lebanon, Iran and Hizbollah all lean towards the French formula, and Mr Assad seemed to be underlining that last night.

Swiss banks agree to search for Holocaust victims' funds

By Jurek Martin in Washington

The Swiss banking industry, legendary for its secrecy, has bowed to pressure from world Jewish organisations to establish a joint independent commission to search for funds of Holocaust victims that may have lain dormant for over half a century.

But sharp differences emerged at a US Senate banking committee hearing yesterday over the amounts involved. Mr Hans Baer, a senior Swiss banker, said that only SFr88.7m ($31.4m) had been positively identified so far, while Mr Edgar Bronfman, president of the World Jewish Congress, suggested "several billion may be closer to the truth".

The Swiss authorities also came in for some sharp, if technical, criticism from the Clinton administration for their lack of willingness to delve into their country's bank vaults.

Mr Stuart Eizenstat, deputy secretary of commerce, said the US had expressed official concern over the SFr300 fee charged for account searches and was unimpressed with what he implied was Swiss equivocation over what exactly constituted a "bank" in the war years.

Congress also warned it was willing to become involved. Mr Ben Gilman, chairman of the House international relations committee, said: "The full co-operation of the Swiss government and all its financial institutions must be obtained, so that a full and impartial accounting, by a neutral non-Swiss third party, can be realised at the earliest opportunity."

Mr Baer, chairman of Bank Julius Baer and a member of the executive board of the Swiss Bankers Association, conceded: "We are concerned that recent media coverage has tended to portray Swiss banks as resistant to identifying and dealing with the funds of Jewish people under threat of Nazi persecution that were deposited in our institutions before and during world war two."

Last September, the banks opened an office to deal with inquiries but Jewish organisations continued to demand an independent investigation. Mr Baer, who is also patriarch of Zurich's most prominent Jewish family, said the proposed commission would be made up "of distinguished individuals whose experience and integrity are well known".

Half its members would be nominated by the Swiss Bankers Association and half by the World Jewish Restitution Organisation, with "an internationally recognised independent accounting firm" and other "experts" also to be recruited.

This was welcomed diplomatically by Mr Eizenstat as "a positive step", but less enthusiastically by Mr Bronfman who said the Swiss bankers could not be allowed to appoint the auditors.

■ STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,573.41	(+8.67)
NASDAQ Composite	1,161.02	(+7.52)
Europe and Far East		
CAC40	2,111.98	(-4.56)
DAX	2,550.18	(+4.27)
FT-SE 100	3,833.0	(-19.7)
Nikkei	22,119.88	(-4.01)

■ US LUNCHTIME RATES

Federal Funds	$5\frac{3}{16}$%
3-mth Treas Bills: Yld	5.062%
Long Bond	$90\frac{1}{8}$
Yield	6.769%

■ OTHER RATES

UK: 3-mo Interbank	6%	(same)
UK: 10 yr Gilt	$96\frac{7}{16}$%	($96\frac{13}{32}$)
France: 10 yr OAT	106.03	(106.0)
Germany: 10 yr Bund	97.56	(97.53)
Japan: 10 yr JGB	97.814	(97.849)

■ NORTH SEA OIL (Argus)

Brent Dated	$20.175	(19.43)

■ GOLD

New York: Comex		
(June)	$393.4	(393.6)
London:		
close	$391.7	(391.75)

■ DOLLAR

New York: lunchtime		
£	1.517	
DM	1.51865	
FFr	5.131	
SFr	1.2285	
Y	106.555	
London:		
£	1.5144	(1.5113)
DM	1.518	(1.5164)
FFr	5.1353	(5.1305)
SFr	1.2277	(1.2269)
Y	106.455	(106.635)

■ STERLING

DM	2.2987	(2.2916)
Tokyo close:	Y 106.85	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh18	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)	Es240	Turkey	L80.000
France	FFr11.50	Lebanon	LL3.000			UAE	Dh12.00

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NEWS: EUROPE

Three party leaders and former speaker fail to win seats in new legislature

Prominent heads roll in Italian vote

By Robert Graham in Rome

Many notable figures failed to find a seat in Italy's general election on Sunday.

When the final results were published yesterday, it emerged that three party leaders, a former speaker of the chamber of deputies and two ex-spokesmen for Mr Silvio Berlusconi, the Forza Italia leader, were not in the country's 13th postwar legislature.

In most cases their exclusion was a product of the quirks of the electoral law – politicians who fought the 25 per cent of the seats allocated under proportional representation.

The main casualties were Mr Carlo Ripa de Meana, head of the Greens and a former Italian commissioner in Brussels; Mr Marco Pannella, founder of the Radicals and indefatigable campaigner for lost causes, who allied at the last minute with the rightwing Freedoms Alliance; Mr Gerardo Bianco, the leader of the Popular party (PPI) formed from the left of the old Christian Democrats; and Mr Giorgio Napolitano, former speaker of the Chamber of Deputies and one of the most active of the Communist figures now in the Party of the Democratic Left (PDS).

The two former spokesmen for Mr Berlusconi were Mr Antonio Tajani and Mr Jas Gawronski.

The final voting figures reveal that the winning Olive Tree alliance of eight centre-left parties won a consistent pattern of votes countrywide. The PDS, the dominant partner, maintained its support virtually unchanged from the 1994 general election, scoring highest in the traditional "red belt" of Emilia Romagna, Marche, Tuscany and Umbria, with around 35 per cent of the vote.

Reconstructed Communism, (RC) formed from the old Communist hardline, improved its 1994 performance, scoring as high as 12 per cent in Umbria but also doing well at the expense of the PDS in the south.

In the 1994 election a group of former democrats, including the PPI, stood alone in the centre and picked up just over 15 per cent of that vote. This time, party splits and the formation of Italian Renewal by the caretaker premier Mr Lamberto Dini saw this vote distributed unevenly. The bulk of this group's slightly larger share of the vote (11 per cent) went to the centre-left, while just under 6 per cent went to the Freedoms Alliance. This shift of the centre vote to ally with the left was a key element in the Olive Tree's victory.

On the right, Forza Italia held up well, averaging 20.6 per cent nationwide – less than one point down on 1994. Its most impressive performance was in Sicily with as much as 32 per cent of the vote in some constituencies.

The weak point on the right was the disappointing performance of Mr Gianfranco Fini's National Alliance (AN). Though it won almost 16 per cent of the vote – two percentage points up – AN suffered from a spoiling challenge from former colleagues faithful to the fascist ideals of Mr Pino Rauti, the former MSI leader. AN said yesterday it had lost 33 seats to the Olive Tree because of Mr Rauti's spoiling tactics, especially in the Rome region.

The young vote appeared to have been less pronounced in favour of AN than expected, with a shift to the Olive Tree parties as well as to the Northern League.

Mr Umberto Bossi's League has done better in the election than it had dared hope, strengthening its position in the north. Although it will not hold the balance of power, its support is likely to be sought by the government on some issues *Abaleum Press Agency*

Northerners smile on League decision to cast off alone

By Andrew Hill in Milan

Mr Umberto Bossi, leader of Italy's federalist Northern League, has made a show of being grumpily disappointed about the outcome of Sunday's elections, but the smiles of his close supporters have betrayed him: the League has done better than it dared hope.

This time last week few thought the party would now exist as a serious parliamentary force except in its own self-styled "Parliament of the North" in Mantua. In fact, the abrasive Mr Bossi's decision to run alone against the right and the centre-left won the League 59 seats in the lower house of parliament, and 27 in the Senate.

That is fewer than the League won in the last general elections in March 1994 but then the party was part of an electoral pact, which meant Mr Silvio Berlusconi's Forza Italia did not oppose its candidates in many constituencies. Sunday's result was also achieved in spite of the fact that Mr Berlusconi's Freedoms Alliance and the Olive Tree centre-left alliance received far more television coverage than the League.

The poll has strengthened the League's position in the north. In Lombardy the party received a quarter of the votes cast, in the rich north-east nearly a third. The League calls for an independent Padania – a new distinct region in the Italian north – but it also campaigned on more mundane issues.

The result shows that many northern voters are unhappy that little has been done in the last two years to end bureaucratic inefficiency or lighten the fiscal and administrative burden on small and medium-sized companies.

The success of the Olive Tree means the League does not hold the balance of power in parliament, as perhaps Mr Bossi had hoped. But Mr Romano Prodi, leader of the centre-left, confirmed yesterday that on certain questions the new government may turn to the League for support.

The advantage of having the free-market League as an occasional parliamentary ally is that the party is enthusiastic about issues such as privatisation, or adherence to the criteria for European monetary union, where the centre-left's Marxist electoral allies are lukewarm. The disadvantage is that Mr Bossi is a volatile partner, as he proved in 1994 when the League's withdrawal from the Berlusconi coalition brought down the government. His gravel-voiced rhetoric can be extreme.

In yesterday's Indipendente, the pro-League daily newspaper, he claimed the north had a choice between becoming "slaves of Rome, or finally freeing ourselves and pushing the colonisers back to the sea, as far as the Belgian Congo". But, as one of Mr Berlusconi's supporters put it yesterday, "Bossi is not an animal to be tamed with a whip, but a calculating broker, who does only what suits him".

Mr Massimo Cacciari, mayor of Venice and one of the left's leading intellectuals, yesterday urged the new government to open dialogue with the League as soon as possible on the central issue of regional autonomy. "The Olive Tree must make its [federal] proposal, and on this basis begin a positive dialogue with Bossi's people. Then it will be up to the League to choose whether to vote for individual measures or remain in opposition," Mr Cacciari told Corriere della Sera, the Milan-based daily newspaper.

Even with the centre-left cautiously pressing for a dialogue, there is still a risk that Mr Bossi could push his luck too far. If he maintains the rival Mantua parliament, for example, or steps up the challenge to Roman political dominance with a campaign of "tax resistance", then the possibility of limited co-operation with the new government could evaporate.

German welfare system sinks under its weight

Mark Suzman reports on the options for reform

Last night Chancellor Helmut Kohl sat down in private with German employers and union leaders to try to hammer out a compromise on planned budget cuts.

While the immediate focus of their discussion was reducing the budget deficit, at the heart of the debate is the more serious question of whether the country's welfare system – based on the social insurance model founded over a century ago by Bismarck – is sustainable.

Traditionally built around four "pillars" of unemployment, accident insurance, health and pensions (a fifth, to cover long-term care for the elderly, was established last year), Germany's welfare state is funded directly by payroll contributions. These go into a wide range of dedicated insurance funds jointly administered by employees and employers which then distribute benefits. Today's contributions go out almost immediately to yesterday's workers and other recipients.

The system has worked for decades and many attribute the country's stellar record in industrial relations to it. In recent years, however, the steep costs of bringing uninsured east Germans into the insurance net after reunification have combined with a long-term growth in health spending and the demographics of an ageing population to push the funds into deficit.

Making matters worse is unemployment, now more than 4m and still rising. The Achilles heel in the German model is the fact that not only do those without jobs draw income from the unemployment funds (or, if uninsured, welfare from the state), but they are also not contributing to the other ones.

The result has been a steady rise in contributions, which are paid equally by employer and employee. These now consume an unprecedented 40.8 per cent of the total wage bill, with pensions and healthcare, at 19.2 per cent and 13.4 per cent respectively, making up the bulk. On current trends, both are set to rise further.

Some analysts say the only solution is a root and branch replacement of the existing system with private provision, particularly for health and pensions.

But for the vast majority of Germans, quite apart from the massive transition costs this would require, the existing social insurance system is not just a useful financial cushion but part of the country's postwar national identity.

"There are many problems, but the existing system still has the overwhelming support of the German people," insists Mr Peter Bank, head of planning at the department of health and social affairs in Berlin. "I don't know exactly how they will do it, but the state is obliged to find a solution."

In seeking to meet that obligation, the government has already instituted a series of reforms on both pensions and health, including providing for a staggered rise in the retirement age from 65 and allowing the country's health insurance funds to compete for members, thereby putting downward pressure on medical costs.

But, as these have met with only limited success, new proposals are now being brought forward. Particularly controversial, but likely to generate enormous savings, is the employers' suggestion of cutting sickness benefits, currently set at full pay for six weeks paid by employers and then 80 per cent of full wages paid by one of the insurance funds. Another previously sacrosanct area being targeted is the widespread use of spas – the "rest cures" which Germans are permitted for four weeks every three years on top of their generous holiday provisions, usually of six weeks.

Some observers fear that political considerations may yet stall such moves. The opposition Social Democrats, who control the second chamber of the federal legislature, are currently backing the unions' vocal opposition to any cuts.

And as Mr Hans Jäckel, an economist at the DG Bank, points out, even if compromise is reached, it may not go far enough. "Our real problem is not a lack of solutions. Everyone knows that what we need is to cut benefits and start shifting some of the costs of welfare from the state to a private system. It is a crisis of political management."

Chernobyl forest fires pose high N-threat

By Frances Williams in Geneva

The accident at the Chernobyl nuclear plant in Ukraine has transformed vast areas of surrounding forest into a "radioactive powder-keg", the United Nations Economic Commission for Europe warned yesterday.

In a serious fire in the contaminated forests – which cover an area bigger than Switzerland – "radioactive ash and fumes can be blown hundreds or even thousands of kilometres in a strong wind", says the ECE. A recent blaze threw 350 tons of radioactive ash into the atmosphere.

The number of fires in the contaminated forests in Ukraine, Belarus and Russia has risen to record levels because the forests are too dangerous to enter and manage, the ECE says in a report to coincide with the 10th anniversary of the Chernobyl disaster on Friday.

There are an average 2,200 fires a year in the contaminated forests, compared with 1,800 before the Chernobyl accident. Several hundred thousand people have been contaminated by radioactive ash and fumes.

The UN body is urging immediate action by the international community to avoid another nuclear disaster which, it says, could be prevented by inexpensive measures. These include protective clothing, vehicles, saws, instruments to measure radioactivity and robots to work in the most dangerous areas.

The ECE also calls for the use of satellites to detect fires at an early stage.

EU companies warned against defensive stance

By Neil Buckley in Brussels

European companies must not retreat into defensiveness and aggressive cost-cutting at the expense of innovation if Europe is to compete with emerging economies such as the Asia-Pacific region, EU policy-makers are to be warned.

Radical changes in attitudes and business processes to avoid further European business failures are called for in a report by management consultants Arthur D Little presented to MEPs last night.

Too many European businesses are responding to competition from lower-cost operators in other regions by drawing in their horns and adopting defensive strategies, instead of pursuing innovation and new opportunities, the report says.

"European companies have been completely intimidated by cost pressures, although they will never really get down to the cost levels of eastern Europe or Asia-Pacific," said Mr Tom Sommerlatte, managing director of Arthur D Little Europe. "So they are failing to exploit the opportunities for new, intelligent products, services and technologies. What is amazing is that company executives are saying this themselves."

The report says over-emphasis on costs is often coupled with "insufficient attention to building on inherent strengths of European companies: their technology resources and their people".

European companies have fallen behind in technology-based growth sectors such as IT, microelectronics and biotechnology, not because of weaknesses in the technologies, but because of "poor conversion of technologies into attractive new products and to indecisive business moves".

Another reason for this is failure to share corporate knowledge. The report warns that European businesses are "excessively functionally- and hierarchy-oriented", producing a divisive, "silo" mentality between different functions such as R&D, engineering and marketing. Lack of "team attitude" can be evident right up to board level.

A "learning culture" needs to be fostered through teams bringing together members from all parts of a business.

On the broader business environment, the report urges European institutions to continue efforts to deregulate and liberalise industries, and break down monopolies.

Restructuring of European industries across national boundaries and the creation of truly pan-European businesses is essential, Arthur D Little says. In that way, companies can exploit the biggest potential advantage of European businesses: multicultural staff and leadership.

"Companies with multicultural leadership can benefit from all the different inputs," said Mr Sommerlatte. "The British, for example, may be more inventive; the Germans more practical. Harnessing the strong points of each nationality could create a major competitive advantage."

Superfast hauls Greek athletes aboard

By Kerin Hope in Athens

Superfast Ferries, a leading Greek passenger shipping company, has offered to pay an income and travel expenses to seven athletes in training for this summer's Olympic Games in Atlanta.

Company officials said the Greek track-and-field athletes' prospects for winning a medal were bright enough to justify endorsement, while lingering resentment about the choice of Atlanta over Athens for the centennial modern Olympics appears to be fading.

The group includes Voula Patoulidou, the first Greek in the Games' modern era to win a track-and-field gold medal with a victory in the 110m hurdles at Barcelona in 1992.

Mr Dimitris Adriopoulos, Superfast's marketing director, said the company had signed 18-month agreements with athletes "who we think have good medal prospects both in Atlanta and at next year's world track-and-field championships in Athens".

The company is also sponsoring a Bulgarian athletics coach, George Pomaski, who is credited with bringing Greek long-, high- and triple-jumpers up to international standard.

In team sports such as soccer and basketball, formal sponsorship deals with Greek companies have already replaced unofficial arrangements with individual Greek shipowners who paid for first-division clubs to acquire foreign players and also covered operating losses.

Thanks to sponsorship, Panathinaikos, which last month won the European basketball championship, is one of half-a-dozen Greek clubs that can afford top-ranked US players, according to officials at the Yiannacopoulos group, a Greek pharmaceuticals company which has a controlling stake in the club.

Superfast decided to sponsor individual track-and-field contestants because "classical athletes were being ignored even though they have a very positive image and they really need the money", Mr Adriopoulos said.

Of the sponsored athletes, only Ms Patoulidou has a regular income as a junior officer in the navy, where Greek Olympic medallists are traditionally offered a commission.

Whatever their chances in Atlanta, the seven Greek athletes will become better known ahead of the Games by appearing in a 30-minute film to be shown daily this summer on Superfast's ferries.

Superfast overtook other Greek passenger operators during its first year in business, capturing 40 per cent of tourist and truck traffic in 1995 on the Adriatic crossing between Patras and Ancona, the most competitive route between Greece and Italy.

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EUROPEAN NEWS DIGEST

Spain ducks cut in interest rates

The Bank of Spain yesterday held off making a further cut in official interest rates, amid uncertainty over the formation of a new centre-right government. Most analysts were predicting at least a quarter-point reduction after last week's move by Germany's Bundesbank, but the central bank kept its rate at 7.75 per cent. Its decision, which followed a surprise half-point cut three weeks ago, signalled caution over prospects for a further fall in inflation this month, as well as over the political situation.

Negotiations on a parliamentary pact between the centre-right Popular party and Catalan nationalists following the March 3 election have taken longer than expected, and it remains unclear when a new administration will be sworn in. Analysts said Spain still had room to cut interest rates, which have already come down by 1.5 points since mid-December. Meanwhile, Spanish exporters are becoming concerned about the peseta's relatively high exchange rate, after trade figures for February showed a deficit 33.5 per cent higher than the same month last year. *David White, Madrid*

Russia tightens banking rules

The Russian central bank yesterday announced plans to stiffen capital requirements for new banks, in an effort to strengthen the country's frail financial sector and protect Russian savers. Mr Alexander Turbanov, deputy head of the bank, said the central bank would double the charter capital requirement for new banks from Rbs6bn ($1.2m) to Rbs12bn ($2.4m) from May 8. New banks would have to operate for two years and have no outstanding debts to the government before being licensed to take retail deposits.

The move is part of the central bank's broader effort to weed out weak commercial banks and avert the wider crisis which many analysts predict could hit Russia's under-capitalised banking sector this year. Mr Turbanov said that last year the central bank withdrew licences from 225 commercial banks, and had revoked another 28 licences so far this year. Losing its licence usually leads to a bank's closure. *Chrystia Freeland, Moscow*

Czech regional bank is rescued

The Czech National Bank has forced a troubled regional bank into administration after it ran up potential loan losses exceeding its capital base of Kč500m, threatening it with collapse. The central bank said it would provide a bridging loan to Coop Banka, based in the eastern city of Brno, to allow it to continue trading normally while its balance sheet was sorted out and new investors sought. The CNB has also requisitioned Kč499m of Coop Banka's capital to bolster the bank's loan loss provisions. It is said to have deposits of Kč3.3bn and a loan portfolio of Kč4.3bn.

The move is in line with a new tough policy by the central bank to deal with troubled small banks. Coop Banka is the sixth bank either to collapse or require a bail-out by the CNB since 1990. *Vincent Boland, Prague*

Prague MPs settle dispute

The Czech parliament yesterday agreed a shortened agenda for its final session before a general election at the end of May, ending a dispute that suspended parliamentary business last week. The compromise agenda includes proposals on capital markets regulation seen as crucial to the credibility of the Prague stock exchange, but omits cuts in corporate and personal taxes being promoted by the government.

The dispute came after deputies protested at the prospect of all-night sessions to debate over 150 items, and wanted the agenda cut to allow them to concentrate on campaigning.

Investors and stockbrokers regard the capital markets proposals as vital to the transparency and proper functioning of the capital markets, which are plagued by insider dealing at a time of increased activity. The proposals, which are expected to be approved, offer greater protection for minority investors, new rules on company takeovers, and broader disclosure requirements. *Vincent Boland, Prague*

France loses 'racist juror' case

The European Court of Human Rights yesterday ordered France to pay damages to a French defendant of Algerian origin who was sentenced despite a racist remark by a juror. The court said France must pay the FFr60,000 ($11,695) legal costs incurred by Mr Said Remli, who was jailed for life in 1989 for injuring a prison guard during a failed escape attempt.

A majority of the European judges ruled the trial did not respect impartiality criteria set by the European convention on human rights, because the French court had failed to order an investigation into the alleged racism.

The French court threw out a request by defence lawyers that it take account of a racist comment by a juror. The European court found, however, it had no power to order a re-trial and rejected Mr Remli's plea for FFr1m compensation. *Reuter, Strasbourg*

French doctors to stage protest

Three French doctors' unions are to hold industrial action today to protest at the government's proposed health care reforms. The unions called on their members either not to go to work or to offer their services to patients as normal without charging. The strike comes as the French cabinet discusses three measures as part of proposed social security reforms announced last November. The measures cover hospital reform, medicine in urban areas, and the management of the social security system. The unions attacked the reforms as a move towards "rationing", although MG-France, the largest union representing general practitioners, has endorsed the reforms.

The debate comes at a time when France's social security deficit for 1996 is likely to exceed forecasts substantially. Mr Jacques Barrot, social affairs minister, pictured left, said this week it could reach more than FFr30bn ($5.8bn) against the FFr17bn originally discussed. *Andrew Jack, Paris*

Swedish journalists in pay strike

More than 2,000 Swedish newspaper journalists went on strike yesterday after pay talks broke down. Their action affected 25 newspapers across the country, including Dagens Nyheter, the nation's biggest-selling broadsheet daily. Another 100 newspapers – most of those published in Sweden – will be hit next week. In common with many industries, pay guidelines in newspapers in Sweden are set in centralised negotiations between the employers and, in the this case, the Swedish Journalists' Association. The association rejected an offer of 3.1 per cent pay rise this year and 2.8 per cent in 1997. The employers were prepared to accept a compromise suggested by the state mediation service, but this was turned down by the journalists. The senior editorial staff of many newspapers said they would work to continue publication. *Hugh Carnegy, Stockholm*

Ministers find their measures

European Union consumer affairs ministers agreed yesterday shops should display the cost of a product per kilo, litre, metre, square metre or cubic metre, and not just the price of a box or can. But shops regarded as too small, too remote or too specialised will be exempt to avoid imposing too large a burden on small businesses. The new law still has to be formalised, and will only be fully introduced after two years. *Reuter, Brussels*

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NEWS: EUROPE

Nato drops plan to cut Bosnia force

By Bruce Clark in Brussels

Nato commanders said yesterday they had dropped their plan to start pulling out of Bosnia in June, and would maintain their current force of about 60,000 men until at least September.

But defence *chiefs from the* 16-nation bloc, meeting at Nato headquarters in Belgium, insisted that it was premature to discuss the possibility of keeping a western military presence in Bosnia beyond 1996.

The main reason for retaining the mission's full strength through the summer was to ensure stability until Bosnia-wide elections that must take place by September, said Gen John Shalikashvili, the US *armed forces chief.*

"It was felt very strongly that at the time of these elections, we need all the troops," he told a news conference. General Jean-Philippe Douin, the French armed forces chief, said the duration of the western military effort would depend on the success or failure of the poll.

The elections are supposed to create Bosnia-wide institutions, embracing all ethnic groups. But western politicians are beginning to admit that there is little sign of a lasting improvement in inter-communal relations.

Mr Malcolm Rifkind, UK foreign secretary, last week said there had been "very little progress" towards reconciliation: the Moslem-led government was barely communicating with the Serbs, and Croat-Moslem tension remained high.

General Douin yesterday said Nato faced a "very complex" problem in ensuring security and freedom of movement throughout Bosnia between now and September – the period known in Nato's jargon as phase four. "We have to succeed with phase four, *because that will determine* whether there is a withdrawal or not," he said.

The French general's presence at the meeting reflected France's decision last December to move closer to the military wing of Nato, which it abandoned in 1966.

President Bill Clinton has given US voters a firm promise that the 20,000-strong US component of Nato's Implementation Force (Ifor) will have withdrawn by December. European governments are reluctant to stay in Bosnia without the Americans.

However, military experts believe that if it remains at full strength until early autumn, Ifor may not have enough time to extract all its armour by the end of the year. As long as Nato armour remains in Bosnia, some troops will have to guard it.

While it still looks likely that Ifor's formal existence will be terminated in December, Nato planners are believed to be considering options for a western military or even police presence to continue under some other aegis.

Whatever happens on the ground, alliance commanders will probably argue for continued surveillance of the region by western ships and aircraft – to watch for any military manoeuvres in breach of the Dayton agreement.

SPD pressed on telecom reform

By Michael Lindemann in Bonn

Mr Wolfgang Bötsch, the German minister for post and telecoms, yesterday warned that passage of a new law to regulate Europe's largest telecoms market after liberalisation in 1998 may be delayed beyond July unless the opposition Social Democratic party (SPD) is prepared to give way *on certain* key issues.

Presenting the government's response to changes proposed last month by the Bundesrat, the upper chamber of parliament which is controlled by the SPD, Mr Bötsch said several important events depended on prompt passage of the law.

These include the partial privatisation of Deutsche Telekom, Germany's largest stock exchange listing, in November and the July liberalisation of telecoms networks owned by leading companies planning to compete with Deutsche Telekom, a measure being pushed by the European Commission.

"I am beginning to worry that by making impossible demands [the Bundesrat] may delay passage of the law," Mr Bötsch said. "That would have terrible consequences."

The minister insisted that the government would not permit municipalities to charge *for the carriage of telecoms* services across their gas and electricity networks which the Bundesrat, the chamber representing the 16 German Länder, last month voted to approve.

A further sticking point, on which Mr Bötsch indicated some movement, is the future regulatory authority. The Bundesrat had proposed an authority including Länder representatives but the minister suggested he would be prepared only to allow the states some say in the appointment of *a staff which he insisted must* be "professional" and not "political".

Mr Bötsch's concerns have been heightened by the fact that the government and the SPD agreed in December to *present jointly the new law to* parliament, a pact which was supposed to accelerate passage of the law.

The minister said yesterday he hoped Mr Hans Martin Bury, the SPD deputy who con*ducted negotiations on behalf* of his party, could make the agreement stick against resistance which, Mr Bötsch said, appeared to be growing among members of the SPD's parliamentary parties. Mr Bury said he *could* not comment on the government's position because he had not studied Mr Bötsch's latest comments.

Pressure is being put on SPD deputies by the municipalities, traditional SPD constituents, which want to ensure that they can charge for the carriage of telecoms services across their networks, the minister said.

Troubled debut for Turkey's reluctant coalition

New premier Mesut Yilmaz is facing difficulties on Kurdish and other fronts, reports **John Barham**

There is a tradition in Turkey for incoming governments to promise to end the country's Kurdish insurgency. The new conservative coalition of Mr Mesut Yilmaz, which took office in March, is no exception.

Officials say a package containing radical initiatives to stop the conflict, in which more than 20,000 civilians, guerrillas and soldiers have died since 1984, will soon be ready. The package would allow broadcasting and education in Kurdish, would lift emergency rule in the predominantly Kurdish south-east and would strengthen local government there.

These are daring proposals in a country where *until recently* it was a crime to speak Kurdish and where it is still considered an act of terrorism even to discuss autonomy or federation for Turkey's 15m Kurds.

However, it is also traditional for new governments' peace plans to quietly wither while the armed forces continue their war against guerrillas of the Kurdistan Workers party (PKK). Mr Yilmaz had planned to hold a cabinet session in Diyarbakir, regional capital of the south-east, today during which he would announce the long-awaited package. However, the meeting has been quietly postponed.

Instead, security forces' have launched their ritual spring offensive against the PKK. Three weeks ago troops began attacking PKK mountain camps, killing hundreds of suspected rebels. Every year commanders promise a "final offensive" to eliminate the PKK once and for all. Yet every year, the guerrillas emerge from winter refuges and the fighting continues.


Yilmaz: daring proposals quietly dropped


Çiller: feuding with government partner

Mr Yilmaz is also having trouble holding his coalition together. Many Turks hoped the new government, an alliance between his Motherland party and the True Path party of his rival Mrs Tansu Çiller, would usher in a period of reform by co-operating, instead of opposing each other.

Yet their fractious coalition has yet to produce effective policies, even though they share the same pro-western, free market and secular values.

As well as sharing out senior appointments, both parties have veto powers over policy. The two leaders are to rotate the premiership: Mr Yilmaz holds power until December, when Mrs Çiller takes over for two years, followed by Mr Yilmaz again for another year. A True Path politician other than Mrs Çiller is to lead the government in its final fifth year. To complicate matters further, the coalition is 15 seats short of a majority in parliament.

The government's only major initiative, an offer a month ago to hold unconditional talks with Greece to end their decades-old dispute, has made little progress. Athens says Mr Yilmaz's proposals are insufficient. Relations are so bad that a minor incident on Monday in which a Greek coastguard vessel fired on a Turkish fishing boat sparked off a diplomatic row. Greece and Turkey, both Nato members, almost started fighting over two uninhabited Aegean islets in January.

Meanwhile, feuding between the True Path and Motherland continues to weaken the government. Mr Yilmaz has refused Mrs Çiller support in a parliamentary vote today on demands by the Islamist opposition Refah party to begin anti-corruption investigations into her 1993-95 government.

And the parties still cannot decide who should control economic policy. Motherland and big business want Mr Rüşdü Saraçoğlu, a minister of state and respected former central banker, to be in charge. Mrs Çiller wants her protégé Mr Ufuk Söylemez, another minister of state but one who commands scant support outside her circle, to have the job.

Motherland had promised a "realistic" 1996 budget with credible inflation and deficit estimates, but Mr Yilmaz finally accepted a compromise concoction that convinced almost nobody. The budget, approved on Monday, allows for a deficit of $11.7bn, equivalent to a quarter of planned expenditure. A more realistic deficit forecast, bankers say, would be *closer to $15bn.*

A team from the International Monetary Fund is due in Ankara next month for talks on a new standby loan to replace the $960m package that unravelled last year. But the opposition, led by Refah, the largest party in parliament, promises to block tough austerity policies and structural reforms.

Although economists believe the economy will improve during the summer, when inflation traditionally falls and export and tourism earnings rise, they warn that Mr Yilmaz must start reforms *before the autumn* or risk losing control of the economy. It would be depressing if Mr Yilmaz followed Mrs Çiller's strategy of retaining political support by escalating the popular military campaign in the south-east while avoiding harsh economic reforms.

PUBLIC NOTICES

SCOTTISH EQUITABLE POLICYHOLDERS TRUST LIMITED

NOTICE IS HEREBY GIVEN that the third ANNUAL GENERAL MEETING of Qualifying Policyholders of Scottish Equitable Policyholders Trust Limited will be held at the offices of Scottish Equitable plc, 1/3 Lochside Crescent, Edinburgh Park, Edinburgh EH12 on Tuesday 21 May 1996 at 2.15 pm for the following purposes:-

1. To consider the Report on the activities of the Company for the year ended 31 December 1995.
2. To approve the aggregate ordinary remuneration to be made available to the Directors of the Company.
3. To reappoint Directors of the Company retiring by rotation at the Meeting, namely:-
   (a) Maxwell C B Ward
   (b) Paul H Grace
   (c) David A Berridge.

Any Qualifying Policyholder who is entitled to attend and vote is entitled to appoint another person (who need not be a Qualifying Policyholder) as his proxy to attend and vote instead of him. A proxy is entitled to vote but is not entitled to speak except to demand or join in demanding a poll. Proxy forms, which can be obtained from the Company Secretary (at the following address), must be deposited at 28 St Andrew Square, Edinburgh EH2 1YF before 2.15 pm on 19 May 1996.

Every Qualifying Policyholder whose policy, as at the commencement of the Meeting, is in force, and has been at least one year in force, is entitled to attend and vote at the Meeting.

"Qualifying Policyholders" for the purposes of this Notice has the meaning set out in the trust deed executed by the Company on 31 December 1993 and extends to:-

(a) any person who was a member of Scottish Equitable Life Assurance Society and whose policy has been transferred to Scottish Equitable plc;

(b) any person who has a with profits policy with Scottish Equitable plc where the policy has been linked to the With Profits Sub-Fund for a continuous period of at least one year as at the commencement of the Meeting.

Any queries in respect of the qualification of policyholders to attend and vote at the Meeting should be addressed to the Company Secretary (at the address specified below).

28 St. Andrew Square
Edinburgh EH2 1YF

By Order of the Board
P H Grace
Managing Director

NEWS: ASIA-PACIFIC

Trial to reveal as much about Japan as Aum

By William Dawkins in Tokyo

For many Japanese, the nature of their society goes on trial alongside Mr Shoko Asahara, the dysfunctional guru who this morning appears in court to face murder charges over his alleged masterminding of last year's lethal gas attack on the Tokyo subway.

Mr Asahara, leader of the mystical sect Aum Shinrikyo, will face 17 counts of murder and attempted murder, for which the penalty is death by hanging.

But the most striking part of the extraordinary history of his Aum cult is the wave of self-questioning it has inspired in Japan, likely to intensify as evidence unfolds in the court.

Mr Asahara will be driven, surrounded by massive security, from a central Tokyo detention centre into Tokyo District Court, a short walk from the scene of the gas attack, where 12 died and more than 5,000 were made ill in March last year.

It is said Mr Asahara intended the attack to be the harbinger of an apocalypse, which he had prophesied, to be followed by his alternative government.

Public prosecutors have planned a cathartic start to what would normally be a deadpan process. The guru will be led to the dock, handcuffed and with a rope round his waist, to listen to a grim roll call of all those who died or needed hospital treatment.

It has been heralded in the Japanese press as the trial of the century – not this one, but next, when final judgement, after the expected appeal, is likely to come under Japan's uniquely slow legal system. Public prosecutors in Japan rarely fail to get a conviction, and there is no jury system. So the verdict on Mr Asahara, if not Japanese society, is in no real doubt.

Most of the 10,000 who followed Mr Asahara, of which 12 also face murder charges, were from solid middle class families, not marginal outcasts. What has confused Japan is that many of them were sons and daughters of senior executives in top companies, with degrees from the best universities.

Debate about Aum during the past year has centred on two questions. Why did so many children reject their parents' drive for collective economic power in favour of a stranger idol? And why were the police, media and others so passive for so long?

Mr Hotaka Katahira, a professor at Tokyo University, is one of many senior educators who believe an educational system which teaches pupils to absorb rather than question is to blame for failing to offer a more stimulating alternative.

In return for complete loyalty and surrender of worldly goods – deviation from which was punished by death – Mr Asahara offered a vivid experience to children of a grey generation. In a sense, argues Mr Katahira, Japanese society brought the Aum tragedy on itself.

Many people in Japan knew about the cult's activities in advance of the attack. Yet astonishingly little was done to challenge it. Newspaper reports as early as 1989, when Aum registered for tax relief as a religion, told of parents attempting to retrieve teenage children from the cult.

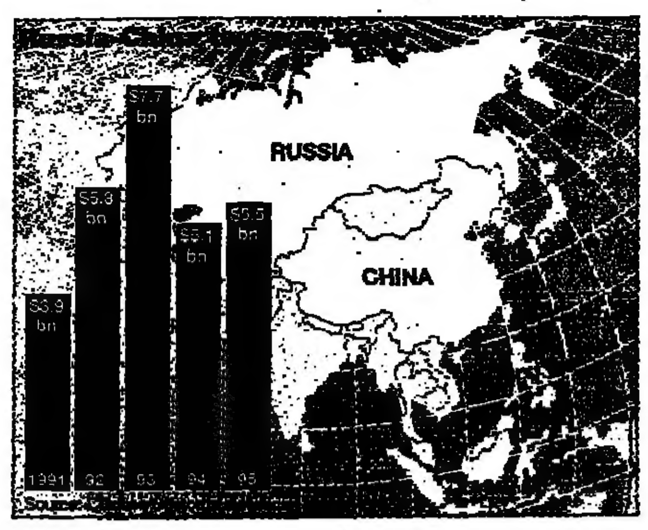
They even formed an action group, represented by a young lawyer, Mr Tsutsumi Sakamoto. He, with his wife and baby son, were among Aum's first victims, abducted from their Yokohama apartment and killed the same year. Their murder is just one of the charges that Mr Asahara faces.

More disturbing, Mr Sakamoto had shortly before his death recorded an interview with Tokyo Broadcasting System denouncing Aum. TBS had privately shown the interview – never broadcast publicly at Aum's request – to Aum itself just before the Sakamotos' disappearance.

The implications of TBS's passive connivance have rumbled through parliament and the nation's newspapers. This and other questions will no doubt rumble louder in court.

Yeltsin set to capitalise on Sino-US strains

Beijing and Moscow have much riding on this week's visit by the Russian president, writes **Tony Walker**



Mr Boris Yeltsin, Russia's president, is likely to receive an effusive welcome in Beijing this week and for that he can probably thank present difficulties in Sino-US relations.

China is giving every indication it plans to use the Yeltsin visit which begins today to emphasise that while its relationship with the world's remaining superpower may be awkward, ties with Russia are relatively trouble-free.

Whether the current warmth in Sino-Russian relations will translate into a more extensive commercial partnership, however, is another matter. The Russians hope so, and Mr Yeltsin's party includes a hefty business representation.

But two-way trade lags behind other countries and Russian investment in China is negligible. Bilateral trade last year of $5.4bn is about one-tenth of Sino-US trade.

The Russians themselves are realistic about prospects. "The US is one of China's main sources of technology and capital. In real economic and political terms relations with the US are second to none," said a Russian official in Beijing.

But the Russians will be seeking to capitalise on China's desire to balance its troubled relations with the US to press their commercial interests. Agreements to be signed during Mr Yeltsin's visit include a memorandum of understanding for the joint development of a pipeline to transport Siberian gas to Chinese consumers and industry.

Russian officials say the memorandum will cover a joint feasibility study. Among options is the routing of the pipeline through North Korea to supply gas to South Korea and Japan. Officials say, however, that gas prices in China will have to rise to make the project feasible.

Mr Yeltsin will also press for Russian involvement in China's $30bn Three Gorges dam project. A Russian consortium has been formed to bid for the right to participate in the supply and construction of power generating units. Russian industry is also competing with the west in bids to provide conventional and nuclear power stations in China.

Underpinning, Sino-Russian trade are defence contracts. China contracted to purchase 26 Su27 fighters in 1992, and is reported to have ordered an additional squadron last year at a cost of about $2.5bn, but details of the extent of defence co-operation are sketchy.

One of the impediments to development of a Sino-Russian military partnership has been haggling over payment. Russia demanded cash, while China held out for barter terms. These difficulties are said to have been ironed out, opening the way for a relatively extensive military relationship under an agreement signed in November 1993.

A Russian official in Beijing said Russia was well placed to increase military sales since "no country apart from Russia is eager to sell China modern weapons". But he added: "We are not exporting weapons to China indiscriminately."

Mr Yeltsin is also due to initial a five-way agreement for border security consultations with China and the three central Asian republics – Kazakhstan, Kyrgyzstan and Tajikistan. Russian and Chinese officials stress the consultative agreement is not a security pact, but there is also no doubt Moscow views closer relations with Beijing as a counter to Nato's eastward plans.

General Pavel Grachev, Russia's defence minister, said last November after a review of Russia's strategic priorities that "if Nato looks east, then we will also look east and find allies with whom we can solve security problems".

Border questions have provided the one slightly discordant note on the eve of Mr Yeltsin's visit. Mr Yevgeny Nazdratenko, governor of Russia's far eastern Primorsky region, has denounced demarcation of the eastern border as "unjust" under a 1991 treaty. Mr Yeltsin has dismissed Mr Nazdratenko's objections as a minority view.

Beijing may wish to emphasise its "good neighbourly" relations with Russia, but there is no indication of any interest in defence links beyond ensuring calm along the 4,300km Sino-Russian frontier and access to military hardware. China's main preoccupation is commercial. One concern is its trade deficit with Russia, of $2.13bn last year compared with $1.9bn the year before.

Among impediments to increased commercial ties is the absence of a network of Russian banks in China and Chinese banks in Russia. This was less important in the days when the vast bulk of trade was transacted on a barter basis by state corporations through a common clearing account. Now, however, most transactions are cash.

Only one Russian bank has a branch in China – the Bank of Foreign Trade of the Russian Federation – but others are on the way, including Russian Credit Bank. It will take time, however, for them to become established. Other problems cited by Russian officials include the low level of trust between Chinese and Russian businessmen, lack of a satisfactory framework for arbitrating disputes, and a prevalence of shoddy goods from both sides.

But these troublesome issues are not likely to occupy much of Mr Yeltsin's time this week as he basks in the glow of Chinese hospitality. Many toasts are likely to be drunk to Sino-Russian friendship.

● China yesterday defeated a draft resolution by the UN Human Rights Commission which expressed concern over continuing reports of violations of fundamental freedoms.

Editorial Comment, Page 13

Australian inflation rate at lowest for more than year

By Nikki Tait in Sydney

Australia's annual inflation rate slowed to 3.7 per cent during the March quarter, the lowest level for more than a year and a sharp reduction from the previous quarter's 5.1 per cent.

The consumer price index rose 0.4 per cent in the March quarter, compared with market forecasts of 0.6-0.7 per cent. The rate of "underlying" inflation, which attempts to exclude one-off influences, also rose 0.4 per cent, to give an annual rise of 3.3 per cent in the quarter. In the December quarter, underlying inflation rose 0.7 per cent.

The latest figures are seen as particularly significant because they come when wage pressures are threatening to push the Australian economy off course. Mr Bernie Fraser, governor of the Reserve Bank, recently warned that current wage increases, thought to be about 5 per cent over the past year, were not consistent with the monetary authority's aim of a 2-3 per cent inflation rate.

"If wage growth continues to pick up, rather than come back a notch, there will be little option but to raise interest rates," he said last month.

Mr Peter Costello, the new federal treasurer, welcomed the figures, but warned it was still necessary to keep a lid on wage rises. "To lock in low inflation and reduce pressure on interest rates, it is important wage growth be restrained within the Reserve Bank target," he said.

● Mr Paul Keating, prime minister of Australia until his Labor party's defeat in March's federal election, yesterday formally bowed out of public life, when he submitted his notice to resign from federal parliament to Sir William Deane, the governor-general.

Mr Keating, who is 52 and has represented the Blaxland constituency in west Sydney for the past 27 years, said he left parliament "very proud of what the Labor government did, of what the labour movement did, and of what Australians did in the past decade".

NZ ruling party boosted as opposition MP quits

By Terry Hall in Wellington

New Zealand's ruling National coalition yesterday gained a working majority in parliament after the sudden resignation of an opposition MP who defected from the National party only three weeks ago.

Mr Michael Laws said he would resign after admitting he took part in awarding a contract in the North Island city of Napier, where he also serves as a councillor, to a company part-owned by his wife.

The resignation may lead Mr Jim Bolger, the prime minister, to bring forward the date of New Zealand's next general election by a month, to October, if he wants to avoid a by-election to fill the empty seat.

The maverick MP had been an irritant to the National party since its narrow election victory in 1993, finally quitting the party to join the populist New Zealand First party headed by Mr Winston Peters, a former cabinet minister.

Mr Laws' resignation comes as a blow to NZ First. Opinion polls have shown the party commands support from 23 per cent of electors, making it the biggest threat to National, whose support has fallen to 40 per cent from 42 per cent.

NZ First's rise in popularity has been attributed to an anti-immigration campaign widely seen to be targeting Asians.

This week saw the formation of a political party intending to field candidates to speak for Asian immigrants at the next general election. Last year, 28,000 of New Zealand's 45,000 immigrants came from Asia.

Mr Bolger has attacked Mr Peters alleging racism, and has called on Asian immigrants to support National. This week the National party named a leading Asian immigrant as a candidate at the next election.

Mr Laws' resignation will ease pressure on National's razor-thin majority before the election. The election, which must be held by mid-November, will be the country's first under its new proportional representation electoral system.

NEWS: WORLD TRADE

German engineer threatens steelworks contract with cheaper offer as UK group struggles on final terms

Trafalgar runs into trouble on Thai deal

By Andrew Taylor in London and Michael Lindemann in Bonn

A $800m prestige construction contract for a Thai steelworks awarded earlier this year to Trafalgar House has run into problems with the renewed emergence of a strong rival German bidder.

Trafalgar, the UK construction and shipping group which was recently taken over by Kvaerner of Norway, was named in February as the preferred bidder to build Thailand's first integrated iron and steelworks.

Conditional contracts, for one of the biggest Thai projects awarded to a British company, were signed in the presence of Mr John Major when the British prime minister was in Bangkok for the Asia-Europe summit.

Trafalgar, however, has been struggling to agree final terms with Thai Special Steel Industry and is facing the prospect of being unseated by Mannesmann Demag, the German process plant engineer which is trying to undercut the British offer.

Trafalgar yesterday denied reports that it had been dismissed as preferred bidder. It said negotiations over final price and content of the project were continuing with TSSI, a subsidiary of Thai Petrochemical Industry.

TSSI officials have been reported in local papers as saying the British group had increased its price since February and that Mannesmann was offering a cheaper deal. A decision on the offers is expected to be made by TSSI in the next 10 days.

Mannesmann said yesterday that it was still in talks with TSSI, but would give no indication on the outcome.

The new plant at Rayong on Thailand's rapidly developing south-eastern seaboard would be built by Davy International, Trafalgar's subsidiary. The plant would be designed to produce 2.75m tonnes of hot liquid iron, 1.1m tonnes of coke and 2.15m tonnes of billets a year.

Total cost of the project is approximately $1bn and operations are expected to begin in early 1998.

One of TSSI's main competitors, Sahaviriya Steel Industries, is contemplating a similar integrated project at its Bang Saphan complex, which is also along the eastern seaboard.

Sofresid, another Trafalgar House subsidiary, last year won a £420m ($634m) contract from Thai Copper Industries to supply and build the country's first copper smelting and refining plant in the same region.

Kvaerner, which paid £904m for Trafalgar House, has identified south-east Asia as the most important growth market for its international construction business.

Record stocks point to sluggish S Korea car sales

By John Burton in Seoul

South Korea's vehicle stocks reached a record high in March in an indication that the country's car producers will suffer a second consecutive year of sluggish domestic sales.

Unsold vehicles in March totalled 93,745 units, or the equivalent of 17.5 days of domestic production, according to the Korea Automobile Manufacturers' Association.

Inventories have steadily increased from December, when car companies offered no-interest consumer finance to prevent the first fall in car sales in 15 years.

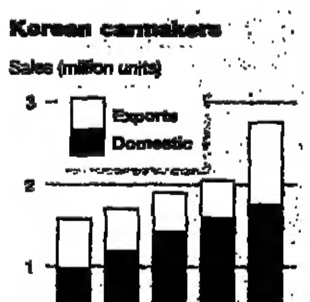
Stocks shrank to 43,502 vehicles in December from the previous monthly high of 82,789 units in November.

Domestic car sales last year rose by only 0.3 per cent against an average annual rate of 10 per cent in the first half of the 1990s.

Analysts blame the slowdown in car sales on a saturated home market and severe traffic congestion.

The growing inventory is regarded as a warning that Korean carmakers are already approaching excess production in spite of plans to almost double output to 5m vehicles by the year 2000.

Faced with slower car sales at home, Hyundai, along with other South Korean carmakers, is expanding aggressively into overseas markets, particularly south-east Asia.



Although exports are expected to relieve some domestic pressure, overseas shipments are also predicted to slow to 10 per cent this year from 45 per cent in 1995 as the Korean currency appreciates.

Among the main car companies, Hyundai, the largest producer, had the smallest inventory, equivalent to 9.3 days of production, followed by Kia with 22.2 days and Daewoo with 43.3 days.

Foreign car imports rose 79 per cent to 6,921 units last year in South Korea, spurred by eased import barriers and improved consumer perception. However, they represent only 0.7 per cent of the market.

Caribbean plugs in

Foreign power companies find opportunities in a region's privatisation drive, writes **Canute James**

North American and European power companies are finding the Caribbean fertile ground for investment.

The Caribbean power sector has long been under state control, but several administrations are inviting foreign participation in the sector. Despite a protracted debate over the merits of a private power sector, the Dominican Republic has finally opted to privatise the state-owned company, CDE, which is to be split and sold in three sections responsible for generation, transmission and distribution. CDE is currently struggling to produce 800MW to meet national demand of 1,150MW. The sell-off is expected to be completed this year, but the new owners will be faced with the unpopular task of increasing rates.

The purchaser of Jamaica's Public Service Company will also have to increase rates, according to Mr Lee W Hogan, chief executive of Houston Industries Energy, one of the companies interested in buying it. The Jamaican government last granted the utility a rate increase in 1991, and there is reluctance to make further adjustments because of political concerns. The Jamaican company currently produces 505MW from its installed capacity of 663MW which will rise to 700MW by August when new generators are commissioned.

The government will require the successful bidder to modernise and improve the Public Service Company's efficiency by spending about $800m over 15 years which will not be financed solely from the company's operations.

Houston Industries Energy's main competitor for the Jamaican company is Southern Electric of Atlanta. Both have created consortiums with local insurance companies and banks. The government favours local participation in the privatisation. Southern Electric is not a stranger to the Caribbean. The company bought a 49 per cent stake in the Trinidad and Tobago Electricity Commission in 1994.

Prospects for foreign investment in Caribbean electricity have further broadened with the undertaking by Haiti's new government to implement a controversial privatisation programme, including the power company. An official economic plan projects capacity of 1,250MW by 2004. This will cost investors just under $1bn.

Cuba's invitation to foreign capital could spread to its controversial Juragua power plant in the southern city of Cienfuegos. Work on the plant stopped four years ago with an end to Soviet support and Cuba's lack of money. Cuban officials say the government wants one or more other foreign partners in a venture it is creating with the Russian government to complete and operate the plant. Russia will raise more than $300m of the $1bn needed to finish the station.

The plant, similar to nuclear stations in Finland, is planned with a capacity of 430MW. Cuba needs generating capacity of 4,500MW. The country has installed capacity of 3,900MW, mostly oil-fired, but only an estimated 35 per cent of this is being used.

Investors will hope that their forays into the Caribbean power market are less complicated than that of WRB Enterprise of Miami which thought it had completed the purchase of half of the Grenada Electricity Company last year. The government announced an agreement with WRB, and had said that another 40 per cent of the company was being sold to local institutional and individual investors. The agreement was criticised by trade unions and the political opposition which later took over government after an election and is contesting the privatisation in court.

Meanwhile, a change in the US federal energy legislation four years ago is presenting the Puerto Rico Electric Power Authority (Prepa) with a challenge to its monopoly on the island. Endesa of Spain plans a 75MW diesel plant, and will sell electricity directly to consumers. Before the change in legislation, utilities such as Prepa had total control of all generation, transmission and distribution.

Tokyo rejects chip pact

By Michiyo Nakamoto in Tokyo

Japan's trade minister yesterday rejected a proposal by Sir Leon Brittan, the European Union trade commissioner, for a trilateral semiconductor pact to replace a US-Japan chip accord which expires in July.

Mr Shumpei Tsukahara, minister of international trade and industry, said a three-way accord as proposed by Sir Leon "is absolutely impossible". His remarks restate the ministry's stance that the issue of foreign market share in the semiconductor industry should be left to market forces.

Mr Tsukahara's comment was in response to a proposal last week by Sir Leon that the US-Japan semiconductor accord be replaced by a trilateral agreement involving the US, Japan and the EU.

Sir Leon had sought to make the EU's participation in a semiconductor agreement a condition for agreeing to remove import duties on electronic components under a proposed global information technology deal.

The US has been pushing for renewal of the semiconductor agreement with Japan, which it believes is important to ensure foreign manufacturers continue to increase their share of the Japanese market. Japan is determined to let its semiconductor accord with the US expire without any further governmental agreement.

WORLD TRADE NEWS DIGEST

Israel in China aluminium deal

United Development, the company controlled by Mr Shaul Eisenberg, the Israeli financier, has formed a $430m joint venture with Chinese enterprises to process aluminium for use in the beverage, construction and vehicle sectors.

UDI initially will hold 50 per cent equity in the new enterprise, but there are plans to include additional foreign investors. Among possibilities is Clecim of France which may supply the rolling mill.

Chinese partners include China National Non-Ferrous Metals Industry, the provincial government of Heilongjiang and the city of Harbin. The new joint venture, to be known as United North-East Aluminium, will be in Harbin in China's far north.

UDI said the project would involve renovation of a plant in Harbin. Production facilities for aluminium alloy high precision sheets, strips and plates, including can body stock, would be the first of their kind in China.

Foreign partners will invest about $150m in the new facility. The Chinese contribution will come largely in the form of plant and land. The balance of investment will come from bank financing, backed partly by western credit agencies. The plant will account for about 25 per cent of China's present annual requirements for processed aluminium products, which total about 450,000 tonnes.

Tony Walker, Beijing

Tenneco agrees exhaust venture

Tenneco Automotive of the US has joined forces with Jinzhou Automotive of Dalian in China's north-east to produce exhaust systems for the First Auto Works, a truck and car producer. The US company will have 55 per cent stake in Dalian Walker Gillet Muffler, whose initial production will be 60,000 units annually rising to 300,000 units by 2000.

This will be Tenneco's second joint venture in China – the first involves making shock absorbers in Beijing – and reflects the continuing engagement in the fast-growing Chinese motor industry of international companies.

Tenneco's Walker Gillet unit produces 25 per cent of mufflers worldwide. Investment in China represents a fraction of Tenneco's global commitments, but the company expects rapid growth in its involvement. It expected commitments to exceed $100m by 2000 in the vehicles sector and other activities such as packaging.

Tony Walker

Malaysia signs defence accords

Malaysia's DRB-Hicom motors group, seeking to become a big defence player, yesterday signed memorandums of understanding with three European defence companies to produce military vehicles.

One agreement was with Mowag Motorwagenfabrik of Switzerland to make armoured wheeled vehicles. A second was with Alvis Vehicles of Britain for an all-terrain vehicle and the third was with Hagglunds Vehicles of Norway, also for an all-terrain vehicle. The Malaysian conglomerate said the agreements could pave the way for joint ventures with the three European companies. No value was put on the agreements.

Reuter, Kuala Lumpur

■ ABB, the Swiss-Swedish engineering group, has won a $230m order to build a combined heat and power plant at Cottbus in Brandenburg, eastern Germany. The plant, due to start up in 1999, will use locally mined, low-quality brown coal fuel but new combustion technologies mean it will have lower emissions than conventional coal-fired plants, according to the company.

Peter Marsh, London

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INTERNATIONAL NEWS DIGEST

Police track Cairo gunmen

Four members of Egypt's security forces and two Moslem militants were killed yesterday in the southern province of Minya when policemen clashed with three gunmen believed to have shot dead 18 Greek tourists in Cairo last week.

The gunmen were suspected members of the Gama'a al-Islamiya, Egypt's largest Moslem militant group, which claimed responsibility for the massacre of the Greek tourists saying it aimed to kill Israeli tourists to avenge those killed in the Israeli bombardment of Lebanon.

The group had also warned that it would carry out more attacks, reminding "the Egyptian regime, headed by the traitor and tyrant Hosni Mubarak, that the war between us continues".

The Egyptian ministry of interior said the shoot-out took place during a dawn raid on the sugar cane plantations of Ashmouneen village. Police forces have sealed the village in an attempt to capture the third gunman.

Yesterday's clash raises the number of people killed in incidents related to militant Islamic violence to 1,015 since the Gama'a al-Islamiya started its 1992 campaign, with the aim of replacing the Egyptian regime with a purist Islamic state. *Shahira Idriss, Cairo*

Ceasefire in Sierra Leone

The Sierra Leone government and its rebel foes agreed a ceasefire yesterday in their five-year civil war and appointed joint groups to work on a peace accord and disarmament.

Mr Henri Konan Bedie, Ivory Coast president, who brokered peace talks, told reporters the agreement was a "definitive ceasefire".

The ceasefire was announced in a joint statement issued after the first talks between Mr Ahmad Tejan Kabbah, Sierra Leone's new civilian president, and rebel leader Mr Foday Sankoh in the Ivorian capital Yamoussoukro.

"They agreed to a continued cessation of hostilities with a view to creating a climate of confidence conducive to the conclusion of a peace accord," the statement said.

The statement said the two sides agreed to establish three joint working parties to deal with a peace accord, encampment and disarmament of combatants and demobilisation and resettlement of combatants. *Reuter, Yamoussoukro*

Arafat moves on PLO charter

Mr Yassir Arafat yesterday took another step toward keeping his promise to Israel to scrap clauses of the PLO charter calling for Israel's destruction.

Mr Arafat appointed 98 new members to the Palestine National Council, the Palestinians' parliament-in-exile, that will approve the changes in the 32-year-old charter.

The appointments helped provide the necessary quorum for the crucial vote, but critics accused Mr Arafat of unfair behaviour by padding the PNC with his supporters.

"Appointments were imposed on us in the past, and this is also true for this round," complained Mr Taisir Qobah, newly elected deputy chairman of the PNC and a member of a radical PLO faction opposed to peace with Israel.

Mr Arafat urged the PNC in its opening session on Monday to approve the changes in the charter, saying it was time to "start a new era with good relations between us and the Israelis".

Yesterday's session laid the groundwork for the vote on changing the charter, with the body approving the new members appointed by Mr Arafat. Debate on the charter change is set to begin this evening. *AP, Gaza City*

Treasury secretary insists World Bank and IMF 'should contribute their own resources to this effort'

US snubs initiative on poor-country debt

By Robert Chote, Economics Editor, in Washington

Mr Robert Rubin, US Treasury secretary, insisted yesterday the US would not make fresh contributions to help finance the joint initiative on poor-country debt drawn up by the World Bank and the International Monetary Fund.

Mr Rubin told the IMF/World Bank development committee: "The multilateral institutions should contribute their own resources to this effort, and the success of the programme should not depend on contributions from bilateral donors which, in the case of the US, will not be forthcoming."

Mr Kenneth Clarke, UK chancellor, kept up his pressure for agreement on the sale and reinvestment of part of the IMF's $40bn gold reserve to help pay for the Fund's contribution to the initiative. This would probably take the form of extending the maturity of the already highly subsidised loans available to poor countries under the IMF's "enhanced structural adjustment facility" (Esaf).

The fund is trying to find a way to put the existing Esaf mechanism on a permanent footing by finding finance for the five years running up to 2005, after which the repayment of past loans will make it self-financing.

Mr Michel Camdessus, IMF managing director, proposed using a combination of gold sales and bilateral contributions to fill this funding gap when he addressed the fund's policy-making "interim" committee on Monday.

But officials said the Germans, Japanese and Swiss remained resolute in opposition to gold sales, although there were signs the French might now concede gold sales as a last resort.

"Gold sales must remain the lead option if we are to reach that final decision to extend the Esaf at our annual meetings in the autumn, which I believe we must," Mr Clarke told the development committee. "I have not been persuaded other methods of mobilising IMF resources would produce the necessary finance required."

Mr Mohamed Kabbaj, chairman of the development committee, identified no fewer than 10 unanswered questions and areas of dispute relating to the debt initiative ministers would have to grapple with. These include the length of the policy record demanded of beneficiaries, criteria for eligibility, costs, the scope for increased generosity by the Paris Club of creditor government, and the timing of decision making.

Movement on the debt initiative is important to the heads of the bank and the Fund. Mr James Wolfensohn, bank president, needs successes to point to as his first year in office draws to a close; a breakthrough on debt would help cement support for Mr Camdessus if he decides to seek a third term as IMF head beginning early next year.

The development committee discussed the report of a working group it had set up to look at operations of the five multilateral development banks. Mr Kabbaj said the report had received "broad support", but some officials privately describe it as toothless and too obviously the product of a large and unwieldy committee.

Editorial Comment, Page 13

S African unions to strike over constitution

By Mark Ashurst in Johannesburg

The Congress of South African Trade Unions has called a one day national strike next week to bolster its demands for changes to the new constitution, which is expected to become law on May 8.

The action has provoked a mixed reaction from Cosatu's allies in the African National Congress, the dominant party in the government of national unity. Business groups warned it would damage investor confidence and spark a further collapse of the ailing rand.

However, the rand closed in London at R4.2375 against the dollar from R4.255 on Monday as currency dealers predicted "a pause for breath" after its frenetic six-week decline, during which the rand has fallen by more than 14 per cent to record lows.

Cosatu wants the clause enshrining the right of employers to lock out strikers during labour disputes to be removed from the Bill of Rights. The clause, which was intended to balance the provision in the bill for workers' right to strike, was inherited from the existing interim constitution negotiated in the run-up to the April 1994 election.

The ANC said yesterday it "supported in principle the right to strike in support of general demands and specifically to press for the removal of the lock-out clause". But this was tempered by a later statement that the party had not reached a decision on whether the ANC "fully supported the proposed strike".

Cosatu is also calling for the removal of clauses guaranteeing the right to life and the right to ownership of property.

It argues that parliament should have jurisdiction to reintroduce the death penalty, and to legislate on the restitution of land to victims of forced removals during the apartheid era.

Constitutional rights can only be overturned by the constitutional court, and are therefore perceived as undermining the autonomy of parliament, where many former trade unionists are MPs.

Despite a groundswell of opposition from its rank and file membership concerned at rising levels of violent crime, the ANC is committed to maintaining the right to life clause. Its insertion in the interim constitution was the basis for the abolition of the death penalty by the constitutional court last year.

It is also unlikely to drop the property clause, which is the product of protracted negotiations with other parties in the constitutional assembly.

Mr Roelf Meyer, secretary-general of the National party, yesterday criticised the ANC for appearing to condone the Cosatu strike "while being a party to the negotiations itself". However, analysts said the dispute over the lock-out clause was a continuation of last year's dispute over the drafting of the Labour Relations Act, which grants a lock-out right to employers. Unless there were changes to the act, the contest over constitutional provisions was largely symbolic.

Business South Africa, the biggest of the lobby groups representing business, said it was "alarmed" by the strike call.

"The signals Cosatu's campaign sends to the international and investing community are also to be greatly regretted, particularly at a time when the lack of overseas confidence in the rand has had such demonstrable impact."

Mbeki will have to 'deliver' where Mandela has reconciled

Roger Matthews on the man most likely to be S Africa's next leader

The political and economic tremors that have struck South Africa in the past month indicate that the country has entered a more testing phase, and that responsibility for managing it will increasingly rest with Mr Thabo Mbeki, the deputy president.

Unfounded rumours about the health of 77-year-old President Nelson Mandela triggered an assault on the rand which, in just four weeks, has lost more than 14 per cent of its value against the dollar. The fall has been accompanied by increasingly acrimonious exchanges between business and unions over the direction of economic policy.

A subsequent cabinet reshuffle, sparked by the resignation of Mr Chris Liebenberg as finance minister, deepened the rand's slide. Mr Trevor Manuel was promoted to become the first member of the African National Congress to hold the post, and Mr Pallo Jordan, who as minister of posts and telecommunications had been thought to be performing better than some of his cabinet colleagues, was dropped from the cabinet.

While the implications of the reshuffle were still being digested, Mr Cyril Ramaphosa, the secretary general of the ANC, announced he was quitting parliament to concentrate on helping black-owned companies win a larger slice of the private sector.

The one thread most obviously linking these developments is the role and ambitions of Mr Mbeki. His selection by Mr Mandela two years ago as deputy president made him the immediate front-runner for the succession in 1999. The past month has seen him consolidate that position, while strengthening his ability to influence policy in key areas. Whether by design, or through astute manoeuvring, one of the main concerns affecting the value of the rand – who follows Mr Mandela – appears to have been answered.

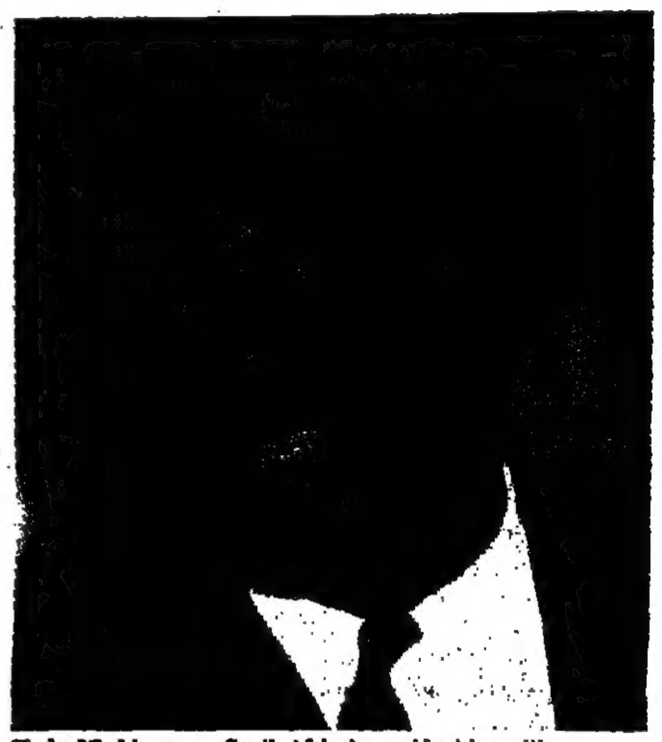
"Thabo is now, without question, the de facto prime minister and president in waiting," said a senior ANC member last week. "He is in virtual charge of foreign policy, he has taken control of economic policy, and Ramaphosa's move means that his only serious political rival has, at least for the time being, admitted defeat. That leaves Thabo in an overwhelmingly strong position."

This proposition coincides with Mr Mbeki's view that over the next 15 years the evolution of South African politics will be determined by the relationship between the twin processes of reconciliation and transformation. By implication, Mr Mandela will continue to promote the former, and Mr Mbeki the latter.

Mr Mbeki's friends credit him with being an impressive strategist, who is able to strip out details and go to the core of an issue. But they, like many others, have yet to see how his emphasis on transformation translates into policy; how, as Mr Mbeki said last year, "you can implement a process of transformation in a country with such enormous disparities, in which nobody loses anything".

Those less impressed with Mr Mbeki's talents claim he is much better at posing the questions than answering them. They argue that his rise within the ANC, which embraces a wide range of political views, owes much to his ability to appear sympathetic to all sections.

"His problem within the party is that he does not have a natural constituency," said an ANC member. So one day he appears to be siding with the more radical factions, and the next with those moving towards a more free-market view of economic management.



Thabo Mbeki: seen as South Africa's president in waiting

"He is also very conscious of just what his standing is at any one moment. And this stops him providing clear leadership and behaving like the president he one day will be."

This assessment coincides with an important part of the mainly white business community who voice concern at Mr Mbeki's apparent unwillingness to set priorities and stick by them. They cite his determination in December to give a decisive push to the privatisation process by announcing companies that would be sold off and others for which minority equity partners would be sought. But in the face of strong union opposition, the impetus appears to have been lost, and privatisation has scarcely featured in Mr Mbeki's subsequent speeches.

"The key question for us is whether he has the political commitment to carry things through," said the director of a leading company. "There is no doubt that he correctly identifies what needs to be done. But he seems to dodge from one issue to the next and will not commit himself to seeing anything through. For example, we do not doubt that he is in favour of privatisation, but he is not delivering."

The issue of "delivery" is the single, strongest demand running throughout South African society, from the mass of unemployed to the boardrooms of industry. But it means fundamentally different things to different people, and Mr Mbeki knows that choices court unpopularity. The pressure on the rand may be a reminder for him that international markets may be as perceptive, and certainly much less patient, than many ANC supporters.

Commonwealth meets on Nigeria

Commonwealth ministers met yesterday to consider possible action against Nigeria following the military junta's refusal to allow a delegation to visit Lagos to discuss human rights and moves toward democracy, AP reports from London.

The Commonwealth, the 53-nation association that groups Britain and its former colonies, suspended Nigeria's membership in November and said it would consider tougher measures, including an oil embargo, if it barred the ministerial visit.

The suspension of black Africa's most populous nation followed last November's executions of nine Nigerian dissidents, including playwright Ken Saro-Wiwa.

Splits are reported among Commonwealth members on whether harsh measures should be imposed, and whether they would be supported by the US and the European Union.

Some EU members have returned their ambassadors, who were recalled after the November executions, and expressed a desire for closer ties with Nigeria.

Commonwealth leaders set up an eight-nation committee to deal with persistent violations of democracy, human rights and the rule of law following Nigeria's suspension at their New Zealand summit.

At the committee's first meeting in December, the so-called action group decided to send a five-nation delegation to Nigeria and threatened possible tougher measures. But Nigeria said it would not be welcome until the Commonwealth heard a petition from military leader Gen Sani Abacha protesting at the country's suspension.

"We want a mechanism whereby the grievance of Nigeria will be listened to and addressed," Mr Uche Okeke, Nigeria's acting high commissioner, said yesterday on BBC Radio 4. "This eight-member Commonwealth contact group of ministers – it's not that kind of mechanism we're seeking."

Mr Don McKinnon, New Zealand's foreign minister and action group member, told Radio 4 that the Commonwealth wanted progress to democratic government in Nigeria.

Mr Okeke said Nigeria was interested in the Commonwealth, "anxious to co-operate," and was definitely on the path to a democratic government. The eight-nation action group is chaired by Mr Stan Mudenge, Zimbabwe's foreign minister, and includes the foreign ministers of Britain, Canada, Ghana, Jamaica, Malaysia and South Africa.

Threat to Iraqi oil talks with UN

By Michael Littlejohns, United Nations correspondent, in New York

US and British insistence on a strict observance of the United Nations Security Council's conditions for any resumption of Iraqi oil exports last night threatened to abort negotiations between Iraq and the UN.

Iraqi and UN officials called off a meeting tentatively scheduled for yesterday but were expected to return to negotiations today in a new attempt to resolve their differences.

If this third round fails in a series of talks that began in February, Iraq will certainly seek to blame the west for the plight of Iraqi civilians hard hit by UN-imposed sanctions.

But Washington and London argue they are doing no more than require firm adherence to the year-old UN resolution to permit Iraq to sell up to $2bn-worth of oil mainly to pay for food and medicine.

For his part, Mr Boutros Boutros Ghali, UN secretary general, who persuaded President Saddam Hussein to relax objections to negotiations, is said to feel that a degree of flexibility is necessary to reach a deal.

The main remaining obstacles involve distribution of humanitarian supplies to the Kurds in northern Iraq and the establishment of an escrow account to handle receipts from oil sales.

The UN says that Iraq cannot be trusted to distribute supplies to the Kurds fairly and the world body itself must have control.

Iraq wants to name the banks that would hold the escrow account, whereas the UN says that must be its own responsibility.

Mr Boutros Ghali, who is an old friend of Mr Tariq Aziz, Iraq's deputy prime minister and adviser to Mr Saddam, has invested considerable personal political capital in the talks, and from the outset he has voiced optimism about their outcome.

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Army commander defies presidential dismissal but people and diplomats rally behind constitution

Paraguayan general sulks in the barracks

By David Pilling in Buenos Aires

A bout of defiance, led by Paraguay's army strongman General Lino Oviedo, appeared to be petering out yesterday, but his blunt challenge to the authority of President Carlos Wasmosy has confirmed the country's reputation as a fragile democracy.

Thousands of demonstrators yesterday rallied in front of the presidential palace in the capital, Asunción, to back Mr Wasmosy's decree to drop Gen Oviedo as army chief. That decision, due to take effect late yesterday, had prompted the general to retreat to barracks on Monday and demand Mr Wasmosy's resignation.

The president, who had gone into hiding on Monday night, was joined in a show of support at the presidential palace by Congress members from all parties and by Mr Robert Service, US ambassador to Paraguay. The heads of the navy and air force issued statements rejecting Gen Oviedo's actions and backing the democratic constitution.

"There is total support for the president," Mr Carlos Denitez, a journalist at the ABC newspaper, said yesterday. "Gen Oviedo now has very few options. At 4pm [local time] he must give up his command of the army, and then he will have to face trial."

Even if this challenge by the general is de-activated, however, Paraguay retains many characteristics of the old South America, where military and civilian authority mingle. Since its return to civilian rule in 1989, after 34 years under the dictatorship of General Alfredo Stroessner, the country has been poised for a coup.

Gen Oviedo, who played a crucial role in the coup that ousted Gen Stroessner, once declared that the armed forces and Mr Wasmosy's Colorado party "would co-govern for century after century, fall who must fall and cry who must cry."

Since he assumed power in 1993, the president has shown signs of trying to reduce the influence of the armed forces, whose close links with his party go back decades. A constant tussle between Mr Wasmosy and Gen Oviedo has led commentators to call Paraguay a *democradura*, a hybrid of democracy and dictatorship (*democracia* and *dictadura*).

It is not clear what prompted Mr Wasmosy's daring decision this week to sack the general. The crisis seemed to come to a head after legislative supporters of Gen Oviedo, who has made no secret of his aspirations to assume the presidency in 1998, blocked a bill to award to private companies control of international toll bridges to Brazil. Gen Oviedo claims that the companies benefited by the legislation have links to the president.

Much political bickering in Paraguay is inspired by tension over business opportunities. In particular, many sections of society – not least the armed forces – are concerned that the country's integration with the rest of the region could end much of the smuggling that has long been the mainstay of the economy and of individual business interests.

Paraguay is one of four founding members of the Mercosur customs union with Argentina, Brazil and Uruguay. As such, it is slowly coming under pressure to legitimise its national economic activities.

A special focus of concern from fellow Mercosur members has been the smugglers' paradise of Ciudad del Este, a delight for duty-free shoppers from Paraguay's larger neighbours. The city is said by diplomats to handle some $70bn of transactions annually – ten times Paraguay's official gross domestic product.

The commander wanted to stay: President Wasmosy and General Oviedo at a recent ceremony Reuter

Tension had also risen on account of elections next Sunday for a head of the Colorado party. Gen Oviedo, as a member of the armed forces and so forbidden by the constitution to act politically, had called for the elections to be postponed.

Mr Carlos Martini, professor at the Catholic University in Asunción, said yesterday that strong international support for Mr Wasmosy had probably been sufficient to head off any attempt at a coup. Messages in support of Paraguay's fledgling democracy from fellow Latin American leaders poured in on Monday night, while the US embassy issued a statement demanding that Gen Oviedo obey the presidential decree.

Mr César Gaviria, secretary-general of the Organisation of American States, flew to Paraguay yesterday to give his personal support to the president.

Officials from other Mercosur countries said Paraguay's continued membership of the body depended on it remaining a democracy.

Gen Oviedo, whose insubordination has damaged his chances of being elected president in 1998, was yesterday weighing his options in army barracks near Asunción airport. "Everything indicates that he will resign," said Mr Martini. "But you can't rule out a last-minute moment of madness."

US prosecutor attacks bank secrecy laws

By Clay Harris

A US federal prosecutor yesterday told banks that they are no better than prostitutes if they transmit money without knowing their customers or the purpose of the transaction. Mr John Moscow, assistant district attorney for Manhattan, speaking at a conference in Lisbon on money laundering, also attacked bank secrecy laws and warned of tough US action.

"There is no reason why bankers who do what they are told for a fee should consider themselves any better than the prostitutes who do the same," Mr Moscow said. "If you think that the size of the fees makes the conduct better or appropriate, think again, for the penalties are far greater. At least they are if you are dealing with the dollar."

Mr Moscow, who since 1989 has been assigned to prosecute cases related to Bank of Credit and Commerce International, said: "In the BCCI case, we had $3bn going from Egypt, through New York, to Nassau in the Bahamas and back. I don't suppose that there has been $3bn in trade between Egypt and the Bahamas in all recorded history. A prudent banker would have asked what business his customers were in."

In a strong attack on bank secrecy laws, he said: "The ancient concept that bank secrecy must be preserved to keep a gentleman's financial affairs confidential – dating back to the days when only gentlemen had cheque accounts, and their servants did not – must give way to the current reality.

"Bank secrecy statutes in international finance are used by crooks, tax evaders, securities fraudsters, and capital flight fellows; they are used by narcotics dealers. But they are not needed by honest folks engaged in honest transactions."

He added: "There is no reason why the people in Vanuatu cannot have rigid bank secrecy laws. I do not care what they do among themselves, so long as they are consenting adults. I do care, however, if they try to merchant their sovereign status and impose their sovereignty on New York (along with rest of the civilised world), to protect the narco-dollars from detection ... As we see it, if the money goes through Manhattan, we may well have jurisdiction."

On Monday, a UK expert on money laundering, Mr Rowan Bosworth-Davies, had told the conference that the extra-territorial approach of US prosecutors posed a threat to companies whose business or clients had even an indirect link with that country.

A London solicitor, Mr Miles Laddie of Denton Hall, urged UK professional advisers, including bankers, to seek legal advice before reporting a client's suspected laundering of the proceeds of crime to the National Criminal Intelligence Service.

The duty to report suspected money laundering applied only to cases involving drugs or terrorism, he argued. Advisers needed to take precautions to avoid facing criminal charges by inadvertently "tipping off" the client or being sued by the rightful owner of the money.

The two-day conference was organised by International Conference Group.

Dole unlikely to secure sufficient majority in Senate for popular cause

Push for term limits stumbles

By Jurek Martin, US Editor, in Washington

The US Senate yesterday moved towards a vote on term limits for members of Congress, a mostly symbolic gesture designed to reinforce the credentials of Senator Bob Dole, the Senate majority leader and presumptive Republican candidate for the presidential election in November, with conservative and independent voters.

There seemed little chance that the Senate would approve, by the necessary two-thirds majority, the constitutional amendment that would confine senators to two terms of six years each and members of the House of Representatives to six terms of two years apiece. It was not even clear yesterday whether supporters of the amendment could muster the 60 votes needed to end debate and force a division.

The outcome would be academic, because the House vote in favour of a similar amendment last year – 227:204 – was well short of the minimum required to keep it alive. But Mr Dole, aware that polls show most Americans in favour of term limits, swallowed his own reservations on the issue and put it on the calendar.

Democrats, likely to vote overwhelmingly against, have spoken little in the Senate debate, which began on Monday, except to argue that fairness would require term limits for present members of Congress. The amendment would only affect new members.

This is the latest pitch by the majority leader to opinions strongly held by both conservatives and by supporters of Mr Ross Perot, the 1992 independent presidential candidate.

Last week the senator was humiliated in failing to get Senate approval of medical savings accounts as part of health insurance reform. He has also taken to attacking the judicial appointments of President Bill Clinton on the grounds that the jurists concerned are too "liberal" and thus undermine the fight against crime.

On Monday Mr Dole urged Mr Clinton, in a Senate floor speech, to withdraw the nomination of a Miami trial lawyer to an appeals court judgeship on the grounds that the appointee in question was legally unqualified for the post and was a substantial financial contributor to the president's election campaign.

This followed his assault last month on a New York judge appointed by Mr Clinton The judge's original ruling, later reversed, in a narcotics seizure case had also invited criticism by the president.

Mr Dole's case against the judiciary, long a conservative cause, has been weakened by the fact, pointed out by the White House, that he voted against the confirmation of only three of Mr Clinton's 187 judicial nominees of the last three years. This includes two to the US Supreme Court.

The majority leader's fumbling on Capitol Hill is now attracting Republican criticism. The latest to suggest he should step down as majority leader and concentrate on drawing ideological distinctions with Mr Clinton is Mr Bill Bennett, former education secretary: "We may get walloped anyway [in November], but I would much rather be beat on principles."

Big US trade gap narrows slightly

By Nancy Dunne in Washington

The US trade deficit in goods and services in February shrank by 17.1 per cent from that of the previous month, but the improvement was neither structural nor necessarily long-lasting.

The Clinton administration, with its trade policies bound to come under attack in this election year, will take little comfort from the monthly figures. Although the deficit dropped from $9.9bn in January to $8.2bn in February, it was running at an annual rate of $108.4bn for the first two months of the year, only marginally better than the $111.5bn in the equivalent period last year.

Aircraft, a big component in the improvement but a volatile sector, accounted for most of a $700m rise in exports of capital goods. Exports were also boosted by sales of US tobacco products and pharmaceuticals.

"We export tobacco products, and then, when [people] get sick smoking, we treat them," said one analyst.

Crude oil imports fell, mostly as the result of reduced volumes rather than lower prices. The improvement was also powered by a surge in trade in services, particularly in foreign travel to the US.

The politically sensitive trade deficit with Japan rose by 2.7 per cent to $3.89m. The US bought more computers, electrical machinery and power generating machinery from Japan in February.

Japan bought more fish, aircraft and computers from the US.

Small groups' growth 'slow'

Small US manufacturers see continued slow growth in their businesses this year, a National Association of Manufacturers annual survey said yesterday, Reuter reports from Washington.

"Our small member companies expect a gradual slowdown in investment and slow gains across the board in 1996," NAM president Jerry Jasinowski said.

The survey found manufacturers expected slow growth in sales, wages, employment, investment and profits. In 1996, more than 40 per cent of those surveyed expected to increase full-time jobs; 12 per cent planned to reduce employment.

Some 28.5 per cent of respondents expected sales to rise by 10 per cent; 22 per cent expected sales up by 5-10 per cent; and 17.6 per cent expected wages to stay about the same. Some 66.8 per cent expected to hold inventories at or near present levels this year.

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Samsung attracts six Korean suppliers

By Stefan Wagstyl, Industrial Editor

Samsung, the South Korean industrial group which is building an electronics plant in north-east England, has persuaded six Korean suppliers to set up factories in Britain, creating 430 jobs.

The six companies are together investing over £15m ($22.6m) in plants that will supply Samsung with parts ranging from television casings to specialised wiring and coils.

The decisions highlight how a single big foreign investment can attract other projects in its wake, increasing the numbers of jobs created. They also indicate Samsung's commitment to using UK-made components at its British factory. Mr Daniel O'Brien, managing director of Samsung Electronics Manufacturing UK, which operates the plant at Wynyard in Teesside, says: "We want to achieve up to 70-80 per cent local content. Localisation works well for us."

However, the rapid arrival of the Korean component makers will increase the competitive pressures on British parts manufacturers in the region, which might have hoped for more Samsung business.

Samsung's £450m factory, which was opened by the Queen last year, will employ 3,000 when it reaches full production. The company is also establishing a new European headquarters in west London, which will employ 500.

The largest of the supplier companies' investments is a £6m plant opened last year by Young Shin, a maker of television casings, at Billingham, Cleveland. Two more factories due to start production in the north-east in the next year are a £5m plant in Durham set up by Dong Jin Precision to make microwave oven components and a £2.5m factory established by Woo One at Hartlepool for manufacturing computer casings.

Three more companies are building plants in South Yorkshire. They are Poong Jeon, making wires and refrigerator parts, Fine Electromechanics, which manufactures coil components, and Sung Kwang Electromechanics, a supplier of cables. Their combined investment is £2.2m. While the companies will initially supply only Samsung, they plan to expand to serve European electronics and motor component makers.

These investments follow the pattern of many Japanese investments in the UK. For example, Nissan Motor, Toyota Motor and Honda Motor, the carmakers, have all encouraged Japanese parts makers to Britain.

The government hopes that at least two other major Korean industrial groups will follow Samsung in investing in the UK. LG group is looking at the west of England as a possible site for a $1bn semiconductor plant and Daewoo has linked up with Texas Instruments of the US for a possible semiconductor factory in Northern Ireland.

A database of residents of north-east England with foreign language skills is to be set up for use by the Northern Development Company when it promotes the region to potential inward investors, *Chris Tighe writes.*

The information is intended to help the region in attracting more investment from companies outside the UK and to address the UK's *poor reputation for foreign language skills.*

The NDC, the region's economic regeneration body, has often been asked to provide statistics to illustrate foreign language speaking abilities.

Now all those in the region who can speak a foreign language will be invited to register their details. Companies will also be asked what foreign languages they would use and how easy or difficult it is to find recruitment.

Recovery proposals suffer new delay

LLOYD'S
LLOYD'S OF LONDON

By Ralph Atkins, Insurance Correspondent

Lloyd's of London is close to announcing a fresh delay to its ambitious recovery plan, forcing Names to wait still longer before finding out the final cost of drawing a line under their affairs at the insurance market.

Lloyd's leaders believe the extra time will allow them to *enhance significantly* the benefits the plan offers lossmaking Names – individuals whose assets have traditionally supported the market.

That, they believe, makes it worth risking damaging publicity caused by a further delay to the recovery plan, launched a year ago and dogged last autumn by a *series of setbacks.*

A revised timetable is expected to be discussed by Lloyd's ruling council tomorrow.

Names were due to be sent late next month revised figures on how much they have to pay to leave the market, which has reported more than £8bn in losses in recent years. A delay of at least a month now seems likely. Lloyd's annual meeting on July 15, could also be postponed.

In addition, rescheduling will push implementation of the recovery plan closer to August 31 when Lloyd's must demonstrate solvency to its regulator, the Department of Trade and Industry. The delay may also worry insurance regulators in the US, where Lloyd's transacts about a third of its business.

Problems have arisen calculating the cost to Names of Equitas, a giant reinsurance company which Lloyd's plans to take responsibility for billions of pounds of outstanding US pollution and asbestos related liabilities.

The total "Equitas premium" had been expected to be about £1.9bn ($2.86bn) but revised figures on the reserves Equitas will require point to a figure nearer £1.5bn or below – leaving scope for cutting Names' individual Equitas bills significantly.

Yesterday it emerged that Lloyd's had won a number of minor victories in its battles with US securities regulators which are alleging investment in Lloyd's was "mis-sold".

In California, Lloyd's has avoided the immediate freezing of $500m held in trust to support US underwriting. The Californian Department of Corporations and its attorney has also been fined $20,000 for breaking court rules while trying to get compensation for local Names. The full case is due to be heard by May 6.

Meanwhile, Virginia has joined the list of states suspending action until after Lloyd's recovery plan is due to be implemented.

UK NEWS DIGEST

Transport plans to be unveiled

The government's thinking on transport issues both in London and throughout Britain will be unveiled in two important policy documents to be published within the next few days.

The publication of the long-awaited government consultation paper on transport policy and a policy paper on London will end a long hiatus in transport planning which began when Mr Brian Mawhinney, then the transport secretary, launched a public transport debate nearly 18 months ago.

It will also allow the government to set out its thinking on rail transport in advance of the publication of the final prospectus on May 1 for the stock market flotation of Railtrack, the company which owns the infrastructure of the national rail network. This will mean that investors are in possession of all the information they need to decide whether or not to buy any shares. The transport consultation paper, which is expected tomorrow, is the first for 20 years and will include the government's response to the report by the Royal Commission on Environmental Pollution published in October, 1994.

Charles Batchelor, Transport Correspondent

Exchange warned on trading

The Office of Fair Trading yesterday warned the London Stock Exchange *that it would not tolerate an indefinite delay in the* introduction of order-driven trading.

Mr John Bridgeman, the director general of the OFT, said he acknowledged that the Exchange faced a heavy workload with the introduction of the Crest electronic settlement system this summer, but said he was anxious that order-driven trading should start "as soon as is practically possible."

"I certainly won't let them drag their feet, and they know that," he told the House of Commons Treasury committee, which is now nearing the end of a lengthy and largely inconclusive *inquiry into the Stock Exchange. The committee's* inquiry began after the Exchange's sudden dismissal of its chief executive, Mr Michael Lawrence. MPs questioned whether a cartel of large market-making companies had engineered Mr Lawrence's ousting in order to block the introduction of order-driven trading in place of their traditional quote-driven system.

In the new system, likely to be introduced next year, orders will be entered on a central electronic order book, and automatically executed when buyers and sellers match. Mr Bridgeman also warned the Exchange that he would examine the rules of the new trading system carefully to see if they hindered competition.

George Graham, London

Labour condemns mine move

Labour yesterday denounced the government's commitment to a worldwide ban on landmines, after it emerged that the Ministry of Defence is planning to buy a new batch of "safer" mines.

The Foreign Office yesterday confirmed that Britain would argue for a ban on a weapon which has been blamed for killing or seriously maiming around 25,000 civilians a year. As a first step, the MoD announced yesterday that it would destroy 44 per cent of its stockpile of landmines at the earliest opportunity.

But Labour was astonished when officials confirmed that the remaining mines would be replaced by a new-style "smart mine", which self-destructs after a period of time.

"These are not the actions of a government seeking the elimination of landmines," said Mr David Clark, shadow defence spokesman. "The Tories are trying to dupe the public with a smokescreen of false pretences."

Britain has not produced landmines since the 1980s, so the new order would either have to be met from a new production facility in the UK or from imports.

"These facts demonstrate demonstrate the dangerous sham of the Tory approach," Mr Clark said. "I seriously question the government's commitment to banning landmines." Britain's support for a worldwide ban on mines is a substantial shift in policy: the government had previously argued that the weapons were useful and legitimate if used with care.

The Foreign Office said Britain would not press ahead with the proposed replacement of its existing stockpile if an international ban was agreed first. But officials insist that older weapons must be replaced by newer versions in the interests of safety

George Parker, Political Staff

Choice for power consumers

Domestic electricity consumers will be able to choose their suppliers under the terms of new supply licences proposed by the electricity regulator for 1998, the year full competition is to be introduced into the electricity market.

Prof Stephen Littlechild, the director general of Offer, the electricity regulatory body, said yesterday that the licences would also include safeguards for consumers to ensure that they were treated fairly by electricity companies.

Suppliers would be obliged to offer terms and supply any domestic customer on request. There would also be a code of practice. The draft licences, which are out for comment by June 7, are a key stage of the shift to full competition in 1998.

David Lascelles, Resources Editor

Eurosceptic vote defeated

Tory Eurosceptics underlined government divisions over Europe yesterday, as a significant group of Conservatives voted to exempt the UK from European Court of Justice decisions.

The vote in defiance of government policy was defeated in the Commons, but highlighted the number of senior Tories who have joined the Eurosceptic wing of the party.

Earlier, Mr John Major, the prime minister, refused to give any further ground to opponents of European integration as demanded by Sir James Goldsmith, the financier and sponsor of the Referendum party.

Asked what further action he would take to placate Sir James, who is planning to field more than 600 candidates in the general election demanding a fundamental referendum on the UK's place in Europe, Mr Major said "None". The bill, which would have amended the European Communities Act 1972 to enable the disapplication in the UK of ECJ judgments, was defeated by 83 votes to 77.

James Harding, London

Exports lull contributes to trading gloom

By Graham Bowley and David Wighton

British industry yesterday reported the gloomiest trading conditions for 2¼ years as confidence dipped for the fourth successive quarter and factories shed jobs at the fastest rate since April 1994.

The Confederation of British Industry, Britain's largest employers' lobby, said in its latest industrial trends survey that weakness in the UK's overseas markets meant manufacturers now faced the slowest growth in exports since the autumn of 1993.

Mr Andrew Buxton, chairman of the CBI's economic affairs committee, said: "We are experiencing a period of static manufacturing activity, reflected by flat orders, particularly in export markets that have been the backbone of recovery over the past few years."

The survey, which points to a stagnating industrial sector, contrasts sharply with evidence suggesting other areas of the economy are buoyant. Consumer spending, for instance, is growing strongly. As a result, the CBI said it was not looking for interest rate cuts to stimulate the economy, but Mr Buxton added that rates should not rise either.

The CBI said 16,000 people had lost their jobs in the manufacturing sector in the first three months of this year, with the biggest companies making the largest job cuts. It expected a further 11,000 jobs to be lost in the second quarter.

According to the CBI's survey of 1,225 companies, 25 per cent of manufacturers said their output volume was up over the past four months, which was matched by 25 per cent which said output was down. The resulting net balance of zero was the first time there has been no growth in output since October 1993.

The opposition Labour party seized on the survey as confirming the downbeat forecast *contained in a leaked letter* from Mr Ian Lang, the trade and industry secretary.

The letter to Mr William Waldegrave, the chief Treasury secretary, commented on recent official data which concluded "that either manufacturers are extremely optimistic about future prospects or that we should expect to see employment falling over the next few months".

Press Association

Publicity-seeking meat traders outside the Houses of Parliament offer free beef to passers-by

Protesters give away beef

By Alison Maitland in London

Beef exporters yesterday gave away a tonne of prime Scottish beef, worth £10,000, outside the House of Commons to protest at what they see as the *government's abandonment of the* beef trade.

The beef, in 2.7 kilogramme packs, usually worth about £30 ($45.30) each, was all taken by an eager crowd of passers-by in 20 minutes.

Mr Morris Bond, chief executive of Beck Foods meat business, who was handing out the beef, said he would have to cut a third of his 600 staff "unless we can get our export markets open and adequate compensation from the government".

He said the government's offer to slaughterers last week to buy up unsaleable stocks at 65 per cent of their value before the BSE crisis was "*totally inadequate*" for an industry operating on margins of 1 per cent to 2 per cent. Exports account for £30m of his Lincolnshire-based company's annual turnover of £100m "and the export market is dead". He was angry that the beef export business had been offered no compensation by the government – in spite of last week's £110m package to abattoirs. His company was "more than £1m out of pocket".

The International Meat Trade Association, which organised the protest, told angry beef traders at a meeting in the House of Commons set up by sympathetic MPs, that the export ban "has more to do with promoting export opportunities for our European competitors than it does with any discernible health risk."

The meeting applauded Mr Bill Cash, the Eurosceptic Conservative MP for Stafford, who blamed Germany for prolonging the export ban and called on the government to withhold regular monthly payments to the European Union budget.

Air traffic control costs to rise by $16m

By Michael Skapinker, Aerospace Correspondent

The cost of air traffic control in the UK will rise by £11m ($16.6m) next year because of the failure by the Civil Aviation Authority to complete a new control centre at Swanwick, Hampshire, on time.

National Air Traffic Services (Nats), a subsidiary of the CAA, said in February that the Swanwick centre, which was due to open in December, would not open until December 1997 because of computer software problems.

Mr Derek McLauchlan, the chief executive *of Nats, told staff in this month's* internal newsletter that the delay would result in "funding shortfalls" in the next few years.

He said: "While the delay to the opening of the Swanwick Centre has reduced operating costs for this financial year, next year they will be some £11m higher than previously estimated." He said that costs would have to be cut to keep air traffic control charges to airlines at the levels already agreed.

The CAA said yesterday it could not say what these cuts might involve, but Mr McLauchlan told staff that safety *standards would not be compromised.*

Nats has described the £350m Swanwick centre, near the south coast port of Portsmouth, as the most advanced air traffic control facility in the world. Building work was completed last year. Nats said, however, that the contractors handling computer installation had "run into snags with an extraordinarily complex task". The system is being installed by a consortium led by Loral Systems of the US.

The centre was designed to handle air traffic over England and Wales, which is increasing by 6 per cent a year. The CAA said yesterday that, in the absence *of Swanwick, further investments* would be made in the existing London Area and Terminal Control Centre at West Drayton, near London, so that staff there can handle the expected increase in air traffic. Although controllers at West Drayton are highly regarded internationally, their equipment is seen as outdated.

Mr McLauchlan said earlier this year that the government had reduced the level of loans it made to Nats by £250m over the past three years on the assumption that several new developments would be funded under the government's Private Finance Initiative.

Privatisation regulators in line for budget boost

By Stefan Wagstyl, Industrial Editor

The government is considering boosting the budgets of the regulators of privatised industries in an effort to assuage public concerns about the regulatory regime.

Ministers are worried that what they see as the achievements of privatisation have been obscured by the recent rows over the newly privatised utility companies, including arguments about water price increases, water shortages and "fat cat", or excessive, pay awards for top executives.

Ministers hope that by boosting the regulators' role, they can rebuff Labour claims that regulation has been weak and promote privatisation as a success story in the next general election campaign.

The Treasury is in the last *stages of reviewing* the work of the regulators of the telecommunications, water, power and gas industries. Senior officials say the review is examining giving the regulators the means to hire experienced and well qualified staff to improve their effectiveness.

Ministers' particular concern is encouraging regulators to communicate more clearly with the public so that people have a better understanding, notably of price increases.

In contrast to some critics of the British regulatory regime, the government does not believe that fundamental changes are needed, for example in unifying the regulators into a single body or replacing the individual regulators with panels.

Treasury officials believe regulators have become "the lightning conductors" of the utility industries, having to deal with problems to which they do not always have the solutions.

Ministers accept regulators cannot be seen to be overtly promoting privatisation or any other Conservative policy. But they believe that regulators have a role in explaining their work and pricing formula.

The Treasury review follows discussion in Whitehall about the future of privatisation. Ministers are responding to the adverse publicity generated last year by rows about water price increases caused by the need to increase investment in sewage treatment and about water shortages during last summer's drought.

The largest of the utilities regulators is Offer, the electricity watchdog, with 230 staff and a budget this year of £10.2m ($15.4m) The figures for the other watchdogs are: Ofwat (water) 191 staff and £9.2m; Oftel (telecoms) 180 staff and £9.1m; Ofgas (gas) 90 staff and £5.7m.

BAe faces row over shareholder rights

By William Lewis and David Wighton

BAe, the UK defence company, is facing a shareholder revolt over controversial plans to reform the voting rules for shareholders at its annual meeting.

The company wants to end shareholders' right to propose amendments to resolutions at its annual meeting and also wants to scrap votes on a show of hands. BAe is also proposing to end the annual vote on its report and accounts and directors' fees.

Instead it wants all shareholders to cast their votes and propose amendments ahead of the annual meeting. "They will still be able to ask questions," BAe said yesterday.

Institutional investors said that they had expressed concern to BAe over its plans and there was speculation last night that the company would be forced to back down on some of its proposed reforms.

Pirc, the corporate governance consultancy which has been lobbying the company to change its proposals, said "the new articles as stated remove a number of important shareholder rights".

Separately, Inspec, the former BP Chemicals company, last night backed down on its proposal to "insulate" directors from having to seek regular re-election by shareholders. The company had wanted its shareholders to pass a new rule at its annual meeting on Thursday which would have excluded the chairman and executive directors from retirement by rotation.

Inspec said last night: "We have decided in principle to return to the situation that we had before. We have taken the decision to go back."

Pirc says that 88 out of the UK's top 250 public companies still have insulation rules in place, down from 126 in 1992.

The corporate governance season is currently at its peak with numerous companies now holding their annual meetings.

Companies await ruling on '$15bn' car tax plea

By Robert Rice in London

Three companies which claim the government has illegally blocked British businesses from reclaiming billions of pounds in value added tax on the purchase of company cars since 1973, will learn next week whether they have won the right to take their case to Europe.

The High Court yesterday reserved judgment on whether to refer the case brought by Allied Domecq, the food group, Royscot, the car leasing company and TC Harrison Group, the car dealer, to the European Court of Justice.

With the claims of more than 5,000 other UK businesses resting on the outcome, victory for the companies in Luxembourg could leave the UK government facing a bill of up to £10bn ($15bn) in back tax and interest, according to tax experts.

The case, which was brought in spite of a change in the rules in last year's Finance Act to allow car leasing companies to recover VAT on all new car purchases, is the culmination of a four-year wrangle between the business community and UK Customs & Excise.

The source of the row is a Customs & Excise "blocking order" first imposed in 1973 which prevents companies recovering the "input tax" on company cars bought for business use.

The companies claim that the order is incompatible with both the 1973 Second European Directive and the 1978 Sixth European VAT Directive, which is the principle measure for the harmonisation of VAT in the European Union.

Under the VAT regime, businesses which make goods or provide services subject to VAT are allowed to deduct the VAT or "input tax" on goods and services which they buy in. That ensures VAT is not paid on more than the full value of the finished product.

The impact of the blocking order on cars bought by leasing companies for leasing purposes – until it was lifted last year – was dramatic.

If a leasing company bought a car for £10,000, it paid VAT at 17.5 per cent on the purchase price, which it was not allowed to deduct. The total cost of the car was therefore £11,750.

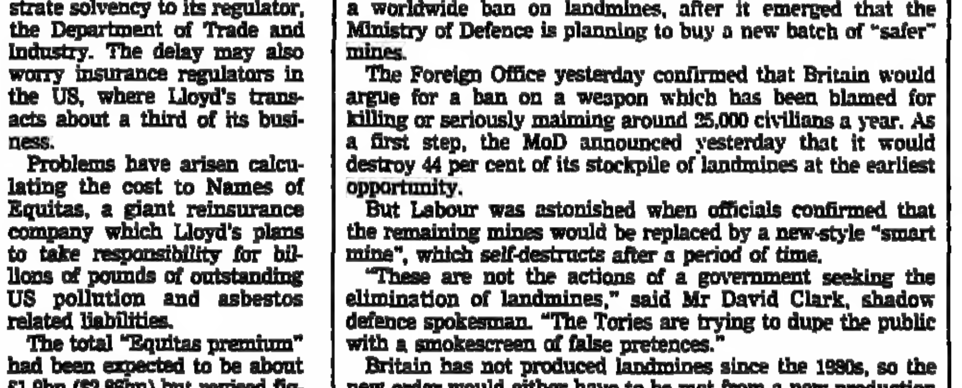
If it then leased the car on a three-year lease to another company, the leasing charge was calculated on £11,750, to which was added interest over three years plus charges for maintenance and so on. That figure was then divided by 36 to give the monthly charge – on which a further 17.5 per cent VAT was payable by the lessee. The rise in costs meant UK fleet hirers were at a disadvantage to other EU states.

According to Mr Dominic Taylor, a tax expert at Ashurst *Morris Crisp, lawyers for two* of the three companies, the process represented a form of double taxation which is contrary to the principles of the European directives.

If the case does go to Luxembourg, it could be two years before a final judgment is delivered.

The companies remain quietly confident, however, bolstered by the news that the European Commission has just taken France to the Court over a similar VAT measure.

New car registrations in the UK



	1991	1992	1993	1994	1995	1996*
Total registrations	1,592,326	1,593,601	1,778,426	1,910,933	1,945,366	531,049
Business use	623,786	665,109	847,147	970,725	1,032,106	300,475
Business use (%)	39.2	41.7	48	5	53	57

*First quarter only
Source: Society of Motor Manufacturers and Traders

Ten years after Chernobyl, **Dinah Greek** explores a nuclear detection network

Gamma curtain drawn

Alexei Yablokov, a senior Russian ecologist, recently claimed that Russia's nuclear power stations "posed an unacceptable risk" to safety. Huge investment, he said, was needed to bring them up to western standards.

Western safety experts also continue to stress the dangers posed by some of the nuclear reactors in the former Soviet Union. The 10th anniversary on Friday of the Chernobyl nuclear accident in Ukraine will highlight those concerns.

Should another similar incident occur, there is as yet limited capability for tracking the radiation plume. However, although eastern Europe's nuclear plant safety still falls a long way short of the west's, much is being done to improve the situation.

One of the most important of these initiatives is the institution of a "gamma curtain" – an early-warning and monitoring system – in Belarus and Ukraine.

This European Commission Tacis (technical assistance to the CIS) project has been three years in planning and the Ecu4m (£3.1m) pilot project, Gamma-1, will be fully operational by the end of May.

The gamma curtain is similar to systems already used in the west. However, it is a new approach to nuclear safety in the former Soviet Union countries and has been modified to suit their needs. It will also give western Europe an early warning of any accidental releases of radiation.

The system is a detection network, with radiation monitors sited around the nuclear stations connected by radio link to local response centres which collect and process the data. Duplicated computer systems at each centre enable operators to monitor the situation continually. However, an alarm is automatically raised if preset thresholds are breached or any systems malfunctions are detected.

All data are sent automatically to two national response centres, one in Kiev and the other in Minsk, via dedicated phone lines. Summary data will also be sent to western Europe via e-mail on a routine basis and immediately if the situation warrants it.

Cambridge-based PA Consulting Group has been working on the project to establish its feasibility and the outline design for implementation. The pilot project involves monitors at three nuclear stations, Ignalina in Belarus and Rivne and Zaporizhya in Ukraine. Chernobyl was not chosen because the severe contamination in the area would have presented additional complexities for the pilot system.

The pilot project involves monitors at Zaporizhya (pictured) and Rivne in Ukraine, and Ignalina in Belarus

The technology involved is straightforward, but it has been modified to take account of a number of factors – the terrain, density of population, weather trends, accessibility and lessons learnt from Chernobyl. Around each of the nuclear sites, a fully integrated set of high-density gamma-dose rate (high but less dangerous than alpha-beta doses) automatic detectors will be placed within the perimeter of the plant. These detectors have been modified to use duplicated Geiger Muller detection tubes to improve reliability.

Chernobyl demonstrated phenomena known as "vertical" and "lateral" breakout where radiation forms very narrow rising plumes. Detectors placed at ground level immediately around the plant are not enough as plumes may rise above them and travel large distances without detection.

At Chernobyl this put authorities at Pripyat, a town 5km from the reactor, in a quandary – should they evacuate the town's people, and in which direction, to avoid travelling into the plume. In the event, the 42,000 inhabitants were evacuated safely – as far as the limited monitoring equipment available showed – by relatively uncontaminated routes.

Detectors have been placed high up on buildings for security. Also, because plumes may "rain out" and cause serious radiation hotspots well away from the accident area, further Geiger Muller counters have been placed in expanding and overlapping rings at distances of up to 20km from each plant. This pattern provides the highest probability of protection.

Radiation contamination may also enter the water system because of leakage. To cope with this, gamma water sensors will be used to detect any water-borne release. Weather stations which will monitor rainfall and wind direction will also aid in detecting the direction in which a plume is travelling.

In addition to gamma-dose monitoring, equipment to monitor alpha-beta radiation has been included. Alpha-beta radiation is the most dangerous, so a quick response to contamination is needed. To achieve this, a number of ultra-sensitive alpha-beta monitors have been sited in populated areas around the nuclear plants.

A difficult dilemma for PA was whether to use vehicles mainly for mobile plume tracing or response and support. It decided on the latter, largely because of cost and the difficulty vehicles would have travelling around in the event of an emergency.

Each of the vehicles will in essence be mini-laboratories, deploying up to four mobile "sentinel" gamma-dose rate stations. Should a radiation breakout occur, tests and monitoring can be taken further afield.

With the Gamma-1 project close to completion, the only worry among the engineers is that something untoward will happen before it is fully up and running. "An accident occurring before completion is our one major concern," says Phil Jeanes, a principal consultant with PA.

It is hoped that the gamma curtain can be extended to other sites after the 12-month evaluation period ends next May and that further funding for the project will be provided.

The author writes for Professional Engineering magazine.

Sweden digs deep to bury nuclear waste

David Lascelles on two projects to solve the disposal problem

Deep burial is widely seen as the best way to get rid of nuclear waste, but few countries have been able to do it successfully because nobody wants nuclear dumps on their doorstep.

Sweden is among those that have made some progress, despite the enormous public hostility that exists to nuclear power. But even for the Swedes, the ultimate goal of a deep permanent store for spent fuel is proving elusive.

At Forsmark, a former iron-making community two hours drive to the north of Stockholm that is now the site of a nuclear power station, the Swedes have hewn a mile-long tunnel out under the sea. At the end are a number of brightly-lit caverns which are gradually being filled with large metal containers of radioactive waste brought in by huge transporters.

There is room enough here for 60,000 cu m of waste, about a third of which has been taken up, although the facility will probably be extended with a second set of caverns at the end of the decade.

But Forsmark can take only low- and intermediate-level waste: the sort that does not need heavy shielding, such as workers' clothing, lightly contaminated parts and other operational waste.

The much more challenging task of handling highly radioactive waste, such as spent fuel, is being addressed at Oskarshamn, another nuclear site about 400km south of Stockholm. Here a two mile tunnel has been blasted more than 1,500ft under the sea to explore the possibilities for storing high-level waste. The tunnel, which descends in a spiral, took two years to build at a cost of SKr500m (£49m).

Officially, the tunnel is an experiment rather than an actual repository, and the nuclear industry is keen to emphasise this fact to avoid upsetting the local Oskarshamn community. But it has shown the Swedes that it can be done.

"We could do it by 2008 from the technical point of view," says Olle Olsson, head of the project. "The problem is political. We have the concept and the design. Now it is a question of optimising the system and convincing the community around that we can do it."

The ideal geological site would have to have fewer fractures than Oskarshamn to restrict the flow of groundwater. But since the waste will have to be stored for thousands of years before it becomes safe, the repository will also have to be built on the assumption that future generations, ignorant of its existence, might drill into it. So the site would have to be some distance from exploitable mineral deposits.

The waste itself will be stored in stainless steel containers and encased in copper to resist corrosion. At the Oskarshamn site, the engineers have on display a copper cannon recovered from a 300-year-old wreck. The seawater had barely left a mark on it, proving that the canisters could be immersed safely for a long enough period for the worst of the radioactivity to decay.

The nuclear industry, which is largely government-owned, has set up a specialised company, SKB, to deal with radioactive waste. SKB's activities are funded by a levy on electricity bills.

This has already generated SKr19bn, although the nuclear industry is anxious that Sweden's financially strapped government may seek to pocket the money itself. Earlier this year, the funds were transferred out of the Bank of Sweden to an account under the direct control of the finance ministry, officially to strengthen Sweden's financial position and qualify it for European monetary union.

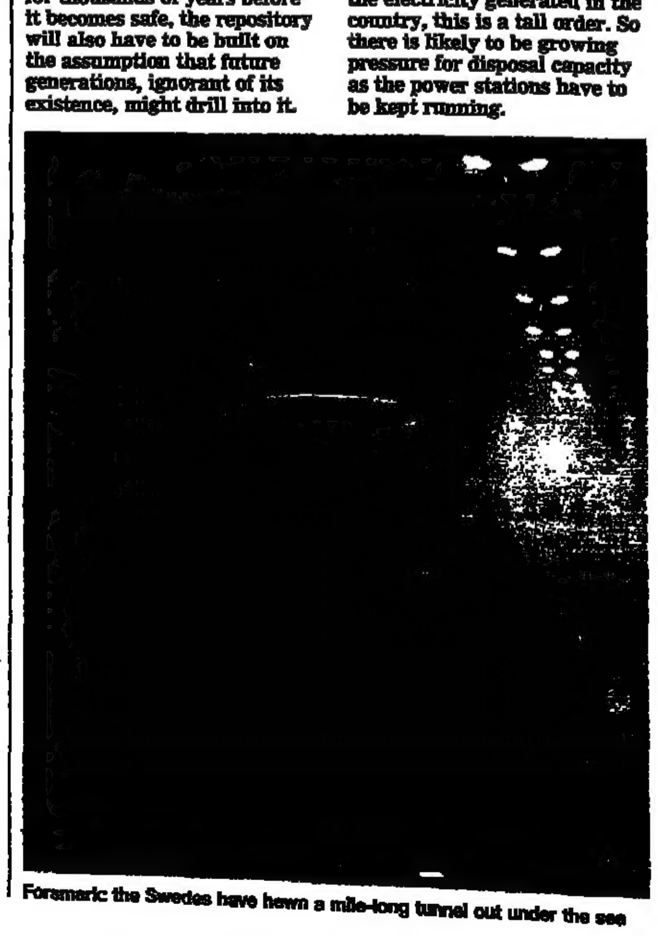
SKB is currently canvassing municipalities to see if any might be willing to have the repository built in their area, but without huge success, in spite of the promise of jobs and other business spin-offs.

Last year a town in the far north, Störuman, looked interested, but the city fathers later turned it down, and so, far there are no other obvious candidates.

"We're in no hurry," says Sten Bjurström, SKB's president, who points out that the nuclear industry is under no legal obligation to provide a final repository, provided it can store the waste safely in the meantime. If there is any pressure, he says, it is the moral obligation on the nation not to dump the problem on future generations.

And the industry does have a temporary alternative, a facility known as Clab at Oskarshamn. This is a huge underground water tank, also hewn out of granite, where containers of spent fuel are left to cool. It has enough storage space to hold fuel until about 2004, when a second cavern should be ready.

In theory, Sweden's nuclear waste problem should be finite, because a 1980 referendum requires the government to phase out nuclear power by 2010. But since nuclear accounts for half the electricity generated in the country, this is a tall order. So there is likely to be growing pressure for disposal capacity as the power stations have to be kept running.



Forsmark: the Swedes have hewn a mile-long tunnel out under the sea

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Television/**Christopher Dunkley**

Where fantasy, reality and memory meet

The opening episode of *Karaoke* on BBC1 this coming Sunday evening shows vividly what we lost when Dennis Potter succumbed to cancer in June 1994. He spent the final months of his life in an extraordinary race against death, swigging morphine and writing through the night, in a fight to complete an astonishing pair of dramas (the second, *Cold Lazarus*, begins on Channel 4 on May 26) which you realise with joy but also sadness as you watch, could not conceivably have been written by anyone else. The pity of it is that no other writer has learned to command the medium as Potter did – and, in these two final works, does.

He believed that in the late-20th century it was a bit effete to write for any medium other than television, which he regarded as the true national theatre. Early immersion in Christianity and socialism seems to have given him an inescapable sense of duty and, however far human foibles may have caused him to deviate from Christian and socialist principles in some respects, he never abandoned television for long. There were sorties into books, theatre and cinema, but he always came back to the small screen pretty quickly. His relationship with those who run television was often difficult, and his final demands – that *Karaoke* be produced by the BBC with repeats on Channel 4, and *Cold Lazarus* be produced by Channel 4 with repeats on the BBC – were characteristically mischievous.

It is indicative of the respect that Potter commanded that Alan Yentob, controller of BBC1, and Michael Grade, chief executive of Channel 4, have not only spent something like £12m making these two series (the larger proportion, it is said, being paid by Channel 4 which had to use much state-of-the-art machinery and computerised equipment for *Cold Lazarus*) but have fulfilled Potter's requirements pretty well to the letter. In each case repeats will be on the competitor channel; Ken Trodd who was responsible for much of Potter's greatest work including *Pennies From Heaven* and *The Singing Detective* but who had famously fallen out with the writer, returns as one of the two producers (the other is Rosemarie Whitman); and even though everyone in the industry knows that Trodd did not initially want Renny Rye as director, Potter did, and that wish too has been fulfilled.

And the results? Wonderful, entertaining television by a master-craftsman. *Karaoke*, in which a successful television writer, Daniel Feeld, is diagnosed as more and more seriously ill, dives straight into that area which Potter made his own, where reality, fantasy and memory meet in the mind of the hospitalised patient. Are our lives the sum total of our memories? If so, can we be sure of the accuracy of those memories? How do you tell the difference between memory and fantasy? The waking, conscious writer is clearly a puppet-master, but are not we all puppet-masters inside our heads? Can we rally be sure that our lives are any more "real" than the lives of the puppets?

As Feeld's health deteriorates his own fiction seems to come to life around him. Pimps and prostitutes, crooners and karaoke singers, begin to recite the lines which Feeld wrote for his characters and which we see being edited on a Steenbeck machine by a bickering team of producers and editors. Is Potter paying off final scores? You bet he is: "Ah, you writers! Always the last to notice – well, almost. I nearly forgot the critics". Not for the first time, Potter expertly sustains several strands of narrative simultaneously: the ailing writer and his two battles, against his own body and against the interfering production team; the events of the criminal underworld where "Pig" Mailion (a wonderfully over-the-top performance from Hywel Bennett) rules by terror; and Feeld's redemption via a beautiful young woman whom he loves, buys, and finally protects.

It is familiar Potter territory, and there are signs of hurry, yet it is superbly well done. Before viewing I had doubts about Albert Finney as Feeld; he is not my favourite actor. Yet here, when it really matters, he comes through and delivers a socking great performance which keeps on thumping you in the chest and sometimes the stomach. The cast – which also includes Richard E. Grant as the precious producer and Roy Hudd as Feeld's mord-wixing . . . er, word-mixing . . . agent, with people such as Julie Christie turning up in bit parts – is nearly overwhelming.

There is less agonising here than in *The Singing Detective*, and also less complexity. With time, and life, literally running out, Potter is clearer than ever about the power of the imagination and the primacy of the individual. Moreover, while he appeared in the past to be questioning the very sentimentality that he exploited (most notably in the songs of the 1930s) here the sentiment is finally open and unashamed. Feeld's miming to the Bing Crosby version of "Pennies From Heaven" at the end of the last episode of *Karaoke* is genuinely nostalgic about a previous age, and also an acknowledgement of Potter's own work and obsessions.

But, magnificently, it is not the end. Astonishingly with *Cold Lazarus* we find Potter making a final death defying dash into new territory; into the year 2368 and the world of *Blade Runner*. This is no mere superficial switch of venue: Potter gives us a fully realised futuristic story in which the fight is on to get back to real reality after the move into virtual reality. Feeld's head has been preserved cryogenically, a frozen blue thing suspended in chemicals, and a band of future scientists, beetling around in electric chairs shaped like the hind quarters of animals, has found a way of projecting his memories on screen like a film. A shark-like media figure wants to exploit this for the sake of a paying audience.

Thus Potter's underlying concerns are the same as ever – the exploitation of the writer's experience, the prostitution of one's talents, the power of memory, the central importance of the individual view. Ever the autobiographer (whatever he may have asserted in public, whatever he may have told himself) Potter makes a final round of the old bases: the Forest Of Dean – or "Nead" as it becomes here – the place where he was born, the childhood years of innocence and knowingness, the irresistible power of rote learning in church, and the eternal clash between internal and external reality.

Potter's greatest work remains The Singing Detective, but Karaoke and Cold Lazarus serve as splendid codicils.

Anna Chancellor and Albert Finney in 'Karaoke' by the late Dennis Potter: a master-craftsman to the end

Theatre in London/ **Alastair Macaulay**

A verdict on humanity

No other play at present in the West End has made me blink back tears so often as Harold Pinter's new production of Reginald Rose's famous American jury drama *Twelve Angry Men*. In this play – you may well know the film, with Henry Fonda – the 12 members of a jury move from an initial vote of 11 guilty versus one innocent to an eventual unanimous vote of not guilty. That is all. We do not know whether the not guilty vote is correct. We never see the accused, or the victim, or the judge, or the prosecution, or the defence.

Sometimes, tears are just a soft-and-easy response to melodrama, for there are several passages when this play becomes just a juicy tale of good versus bad, or right versus wrong, and it is hard to resist a sniff at its neat twists when the bad or wrong are shown up for precisely what they are. Once or twice, they are the startled tears of recognition, for I too have a little experience of jury duty on a case of murder. Mainly, however, they are tears of gratitude.

For *Twelve Angry Men* is, at base, not about guilt and innocence but about democracy. And it moves us most deeply when it shows us that men – not least these jurymen – should be allowed to have their own lifestyles and opinions without being bullied or persecuted for having them. (Women too, by implication. But this is a men-only jury.)

Some of these 12 men reveal a great deal about themselves during their deliberations, while others reveal little; and this too is part of the play's point, for it gives honour to privacy and self-display alike. All 12 are beautifully individualised as characters, but Rose's finest achievement may be the extent to which he keeps some of them largely unknown to us. It is often those who are most businesslike and most guarded about themselves who make the most valuable contribution to the drama. No wonder it appeals to Pinter. Its dramatic method is little like his own plays, but its values are those to be found at the heart of all Pinterism.

Twelve Angry Men was first shown as a television drama in 1954, was made into a film in 1957, and was first presented onstage in 1958. To the extent that it is about good/right versus bad/wrong, it is not a particularly fine play – for to depict a good ending happily and bad unhappily is, as Miss Prism observes, sheer fiction. Often enough, however, it transcends that level. It is never dull, expounds the facts of its case with exemplary pacing, and is often funny. I love the way it ends, with the virtual anti-climax of the jury filing out. No courtroom astonishment, no journalistic sensation. Just a complex sense of humanity left hanging in the air.

Pinter's direction is excellent. There are some of the usual problems found when British actors attempt American accents; there are a few too many extended-arm gestures, one of which is held far too long; and two or three of the actors are allowed, in their slightly exaggerated depictions of certain very American types of aggression or loudness or callowness, to lampoon those things in ways that reveal a dash of Americanophobia in themselves and/or Pinter. In general, however, the acting is pro-American because it is pro-human; and it is pro-human because it is detailed, individualised, felt.

Even the flawed performances are basically good: Kevin Dignam, Maurice Kaufmann, Stuart Rayner, Timothy West and Kevin Whately are better; and Alan MacNaughtan and Peter Vaughan, on opposing sides, are best of all. MacNaughtan, with his shadowed and dignified utterance of sometimes slight remarks, movingly illumines the respect for humanity that is at the play's core, and Vaughan, alarmingly but very credibly, reveals the horrific opposite. Eileen Diss's set and Mick Hughes's lighting give us just the surroundings and climate and atmosphere we need.

'Twelve Angry Men' is at the Comedy Theatre, London WC2 (0171-369 1731).

Rigoletto without the music

Victor Hugo's play *Le Roi s'amuse* (1832) is best known as the basis for Verdi's classic opera *Rigoletto* (1851). But censorship obliged Verdi and his librettist Piave to relocate their opera to Mantua. Not only does Hugo's original concern François I of France, but it does so with lavish historical detail. Since the libertine monarch is denounced at length it is no surprise that Hugo's play was banned after a single performance. Now Tony Harrison, adapting it in English as *The Prince's Play* at the National Theatre, has transferred it to late-19th century England, so that the royal anti-hero become the Prince of Wales. However, *The Prince's Play* proves remarkably anaemic. It has enough detail to persuade us that its royal anti-hero differs from the future Edward VII but too little to make us believe in this story, either as history or as fiction.

Hugo wrote *Le Roi S'Amuse* in the era when France was at last discovering the genius of Shakespeare and, in *Le Roi s'amuse*, he created the most Shakespearean protagonist that French drama had yet possessed. Triboulet, François I's hunchback court jester, is part Richard III, part Shylock, part Lear's "all licensed fool" with a dash of Lear himself (at the end, with the corpse of Blanche).

It is curious that Verdi makes the most of the Shakespearean element. Harrison makes the least of it. Harrison chooses to keep the the aa/bb rhyme scheme that was already in 1832 the most old-fashioned feature of Hugo's dramatic writing. Odder yet, Harrison's play adds some remarkably operatic touches, especially at the end, when Scott/Triboulet – who has, by a horrid accident, arranged the murder of his own beloved daughter – offers himself for arrest (just like José at the end of *Carmen*) and then says to us "Laugh! This is the best laugh of the night" (like Canio, who, in *Pagliacci*, kills his wife).

There is nothing wrong with shifting the action from the Renaissance to the 19th century, although the East End in which Scott lives in Richard Eyre's staging has been designed by Bob Crowley to look naffly neat, clean and uncramped. Crowley easily fulfils Hugo's tricky stage requirements, which twice place important stage action on both sides of a wall. But the result is all stagey, synthetic, unbelievable. The nocturnal scenes are so brightly lit by Jean Kalman that characters might read books on stage.

There are just a few passages in Eyre's staging when you stop wishing you were listening to *Rigoletto*. Best is Michael Bryant, who, speaking Lord Kintyre (Saint-Vallier/Monterone) with intense quiet and exemplary dignity, alone shows us how far the Prince's circle has slipped from decent behaviour. As "Scotty" Scott, Ken Stott has fine moments – telling Becky that she is his everything, revealing to the courtiers that it is his *daughter* who has been abducted, and asking them whether her beauty and innocence do not make the world "seem a better place". But Harrison and Eyre fail to make Scott the cruelly brilliant court buffoon he claims to be and they fail, too, to make his many long speeches the big events they should be. The rhymes cripple the drama like fetters. Arlene Cockburn speaks Becky in a uniform whimper. David Westhead, as HRH, has neither glamour nor breeding enough to make his role impressive. June Watson is a good duenna, tough, venal, and credible.

Even though it is a year since I last listened to *Rigoletto*, the voices of Pasquale Amato and Tito Gobbi in the title role kept entering my head unbidden throughout *The Prince's Play*, expressing Hugo's story with a heroic force and human urgency that were utterly missing at the National Theatre. The music for Eyre's production, by Richard Blackford, is its oddest element. It keeps sounding like, of all people, Wagner. But the National's entire musical policy needs drastic revision, as does the RSC's.

Concerts/**David Murray**

Enticing Ravel and Stravinsky

The London Symphony's ex-principal conductor, Michael Tilson Thomas, rejoined them last week at the Barbican Hall to conduct an enticing pair of matched programmes. In each, the first half offered a pungent selection of shorter, less familiar pieces by Stravinsky (early, middle and late). In the second halves we got one of Ravel's two piano concerti and one of his orchestral showpieces – *La Valse* on Thursday, the second *Daphnis* suite on Sunday.

I heard the first concert, which found Tilson Thomas in his best form. There was comic flair in Stravinsky's "Circus Polka" (composed for a young elephant at Ringling Bros, Barnum & Bailey), but no crude jokes. For the elegiac 1943 *Ode*, rarely heard because difficult to programme, the conductor drew tender shadings from the LSO players, exquisitely balanced. *Agon* crackled brightly.

The "Huxley" Variations of 1964, short but extremely dense, were especially welcome in this translucent performance. It is arguably the work in which Stravinsky shows the influence of young Boulez, and even of Messiaen, most clearly. Tilson Thomas set out its gnomic, overlapping paragraphs with delicate precision. Few of us can have heard this knotty, near-experimental piece so well played.

The conductor brought the same musicianly exactitude to Ravel's 2-hand piano concerto and *La Valse*, though the Stravinsky works – which he is recording with the LSO – might have had the lion's share of rehearsal-time.

Both these familiar pieces revealed succulent details that one had almost forgotten were there. The soloist Jean-Yves Thibaudet deserved no less; his impeccably stylish reading set a standard. In tempi, touch, pedalling and manners, everything was brilliantly right.

And his account of the long, unaccompanied solo that begins the slow movement was a kind of revelation. He proved that it is possible both to keep strictly to Ravel's austere tempo, *and* to make something grandly eloquent of the winding melody – not just a suave exercise in French lyricism, but a soliloquy of remarkable breadth and power.

Constant Lambert's jibe at this movement (in *Music Ho*) as being a cold, artificial construct, seemed more wrong-headed than ever. Thibaudet is a masterly pianist.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● De Lelijke Tijd. Pronkstukken van Nederlandse interieurkunst 1835-1895: masterpieces of Dutch decorative arts from 1835-1895. In this period different styles from the past were combined, resulting in so-called "neo-styles". In later times these were considered bad taste and this particular period was sometimes referred to as "The Age of Ugliness". Furniture and silverware form the backbone of the exhibition; to Apr 23
JAZZ & BLUES
Bimhuis Tel: 31-20-6233373
● Ray Brown Trio: with double-bass-player Ray Brown, pianist Benny Green and drummer Greg Hutchinson in the programme "Happy Birthday Ray Brown"; 9pm; Apr 27

■ BALTIMORE

EXHIBITION
Baltimore Museum of Art
Tel: 1-410-396-6310
● Dale Chihuly: Installations 1964-1996: since the early 1970s, Dale Chihuly has been at the centre of a revitalised art glass movement in the US. His 'Persians' and 'Niijima Floats' are among the largest glass artworks ever blown, and like all Chihuly pieces can only be made through team effort. This exhibition, designed by the artist, is both a retrospective of his past works and a specially created environment in glass; to Apr 28

■ BERLIN

DANCE
Deutsche Oper Berlin
Tel: 49-30-3438401
● Hommage à Marius Petipa: the Balletensemble der Deutschen Oper Berlin perform highlights of the ballets Raymonda, Swan Lake, Don Quixote, The Sleeping Beauty and Paquita; 7.30pm; Apr 26
EXHIBITION
Kunstgewerbemuseum - Tiergarten Tel: 49-30-2662902
● Internationales Kunsthandwerk der Gegenwart (1970-1990) aus Museumsbestand: exhibition of a selection of approximately 150 objects of applied art acquired by the Ostberliner Kunstgewerbemuseum and Westberliner Museum during the last 25 years. This is the first joint exhibition since the museums were united in 1990; to Apr 28
OPERA
Staatsoper unter den Linden
Tel: 49-30-2082861
● Orpheus: by Telemann. Conducted by René Jacobs and performed by the Staatsoper unter den Linden. Soloists include Janet Williams, Roman Trekel, Efrat Ben-Nun and Dorothea Röschmann; 7pm; Apr 25, 27 (6pm)

■ BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-2123333
● Rostal and Schaefer: the pianists perform works by Rachmaninov, Chopin and Pachelbel; 8pm; Apr 25

■ COLOGNE

DANCE
Opernhaus Tel: 49-221-2218240
● Goya: a choreography by Jochen Ulrich to music by Bo Verspaendonck, performed by the Tanz-Forum Köln; 7.30pm; Apr 25

■ EDINBURGH

CONCERT
The Queen's Hall
Tel: 44-131-6683456
● The Scottish Chamber Orchestra: with conductor Sakari Oramo, violinist Antje Weithaas and visual artist Craigie Aitchison perform works by Hallgrimsson, R. Strauss and Mozart; 7.45pm; Apr 25

■ GOTHENBURG

CONCERT
Göteborgs Konserthus
Tel: 46-31-7787800
● Göteborgs Symfoniker: with conductor Gustaf Sjökvist and clarinettist Putte Wickman perform works by Bernstein, Borodin, Sandström and Lindberg; 7.30pm; Apr 25
OPERA
Göteborgs Operan
Tel: 46-31-108000
● Carmen: performance of Bizet's opera Carmen in Swedish by the Gothenburg Opera, conducted by Inge Fabricius. Soloists include Ulrika Tenstam, Jan Kyhle, Anders Larsson and Linda Tuvas; 7pm; Apr 25, 27 (6pm), 30

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Michele Campanella: the pianist performs variations by Brahms; 7.30pm; Apr 25
THEATRE
Barbican Theatre
Tel: 44-171-6388891
● Romeo and Juliet: by Shakespeare. Directed by Adrian Noble and performed by the Royal Shakespeare Company. The cast includes Christopher Benjamin, Susan Brown, Julian Glover and Michael Gould; 7.15pm; Apr 24, 25 (also 2pm) ; May 1, 2 (also 2pm)

■ LUXEMBOURG

CONCERT
Théâtre Municipal Tel: 352-470895
● Orchestre Philharmonique du Luxembourg: with conductor Vassily Sinaisky and cellist Truls Mork perform works by Dvorák; 8pm; Apr 25

■ MADRID

EXHIBITION
Palacio de Velázquez
Tel: 34-1-573 62 45
● Nuevas Abstracciones: this exhibition of approximately 60 paintings by 29 international artists focuses on new forms of abstraction in the post-modern period. The artists represented include Ross Bleckner, Peter Halley, Gerhard Richter, Sean Scully and Philip Taaffe. After the showing in Madrid, the exhibition will travel to Bielefeld and Barcelona; from Apr 25 to Jun 23

■ NEW YORK

CONCERT
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Beaux Arts Trio: perform works by Hummel, Beethoven and Smetana; 8pm; Apr 26, 27
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Roméo et Juliette: by Gounod. Conducted by Edoardo Müller and performed by the Metropolitan Opera. Soloists include Ruth Ann Swenson, Theodora Hanslowe and Francisco Araiza; 8pm; Apr 26

■ OSLO

OPERA
Norske Opera Tel: 47-22-429475
● Götterdämmerung: by Wagner. Conducted by Heinz Fricke and performed by the Norwegian National Opera. Soloists include Carol Yahr, James O'Neal, Gudjon Oskarsson, Terje Stensvold, Oskar Hillebrant and Kjersti Ekeberg; 5.30pm; Apr 25

■ PARIS

DANCE
Théâtre National de l'Opéra - Opéra Garnier
Tel: 33-1 42 66 50 22
● Ballet de l'Opéra National de Paris: perform Petit's choreographies Rythme de valses, Camera Obscura ou l'amour est aveugle and Le Loup; 7.30pm; Apr 25, 30
OPERA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Billy Budd: by Britten. Conducted by Gary Bertini and performed by the Opéra National de Paris. Soloists include Robert Tear and Eric Halfvarson; 7.30pm; Apr 25, 28 (3pm)

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall
Tel: 1-415-864-6000
● San Francisco Symphony: with conductor André Previn perform works by Mozart and Haydn; 8pm; Apr 26, 27

■ VALENCIA

EXHIBITION
IVAM Centre Julio Gonzalez
Tel: 34-6-3863000
● Metz & Co: Los años creativos: this exhibition focuses on the "department store of the avant-garde" Metz & Co. Between 1920 and 1960 architects, designers and artists were commissioned to create products for this company. From Apr 25 to Jun 23

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Marc-André Hamelin: the pianist performs works by Alkan and Liszt; 7.30pm; Apr 25

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Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

The wrong medicine

Sanctions can be effective but there is scepticism about their use as a tool of conflict prevention rather than resolution

Lord Skidelsky, the biographer of John Maynard Keynes, will today be exploring "ways of raising the cost to China of scrapping democracy in Hong Kong".

He will point out to Britain's House of Lords that Sino-western trade is as much a Chinese interest as a western one. He will also mention the possibility of admitting Taiwan to the United Nations, if China sticks to its avowed intention of dismantling Hong Kong's elected legislative council as soon as the British colony reverts to Chinese sovereignty next year.

In other words, he will be talking about sanctions. At first sight that is surprising since yesterday, at a symposium in New York, the same Lord Skidelsky presented a paper on "Economic sanctions as a means to international 'health'", the overall tone of which was highly sceptical.

I should know because I was a co-author of that paper, and the scepticism was more Skidelsky's than mine. I endorsed his sceptical conclusions but qualified them by pointing out some recent cases where sanctions can be said to have worked.

● They helped Robert Mugabe's Patriotic Front to defeat Ian Smith's white minority regime in Rhodesia (now Zimbabwe) – though it took 14 years and a vicious guerrilla war.

● They were surely a factor in the unexpectedly early and peaceful end of apartheid in South Africa. They did not bring the country to its knees, but they proved to the government and its supporters that white South Africa had very few friends in the world – and forced them to pay more attention to the advice of their few friends, such as Ronald Reagan and Margaret Thatcher.

● Similarly, sanctions helped demonstrate Iraq's isolation in the run-up to the Gulf war. Since then they have inflicted crippling damage on Iraq's economy and substantially inhibited its rearmament, thus serving to contain a regime which has twice in the recent past waged war (against Iran in 1980 and Kuwait in 1990).

However, the human cost has been very high: it is arguable that more could have been achieved, and at a lower cost in human suffering, if military force had been used to liberate the whole of Iraq instead of being confined to the Kurdish north.

● They may have dissuaded Libya's Colonel Gadaffi from continuing his sponsorship of terrorism since 1992, and perhaps deterred other states from following his example.

● *The Haitian junta may* have been encouraged to step aside in September 1994, rather than resist US military intervention, by personalised sanctions (the freezing of their personal assets in the US, and the prohibition of transactions with them by US citizens).

● An anxiety to get sanctions lifted was an important motive prompting President Slobodan Milosevic of Serbia to detach himself from his former protégés, the Serb leaders in Bosnia and Croatia.

● Sanctions probably played a part in bringing the Unita faction in Angola back to the negotiating table after 1993, and thus led to the present ceasefire and peace process in that country.

The scepticism which Skidelsky and I share concerns the effectiveness of sanctions as a tool of conflict prevention: our paper was prepared for a symposium on preventive diplomacy. The fact is that sanctions are always applied punitively – as tools of conflict resolution rather than prevention.

> The best we can hope is that the example made of countries which have caused conflict will deter others from behaving similarly

Of the success stories, only South Africa and Haiti are cases where large-scale violence was actually avoided. And even there, military force was far from absent.

In Haiti, it was clearly the decisive element: the junta stepped down only when an overwhelmingly superior US intervention force was literally on its way. *In South Africa*, the most important reason for the negotiated settlement was surely not sanctions but both sides' vision of the alternative – an escalation of violence with no foreseeable end.

What South Africa and Haiti also have in common is that in both cases the main issue was the domestic character, not the external behaviour, of the sanctioned regime.

For sanctions to be used preventively, the international community needs to make a judgment about the kind of regime likely to cause conflict, and to act on that judgment before conflict has actually occurred.

The world was prepared to make such a judgment in South Africa because there is a consensus that systematic monopoly of power by a racial minority (or a white one, anyway) is unacceptable.

In Haiti, the judgment was made for two reasons: the 1991 coup ousted a president whose election had been monitored, and certified free and fair, by the *UN General Assembly*; and Haiti's close proximity to the US gave the most powerful member of the United Nations a strong interest in preventing civil war there – in order to avoid a mass influx of refugees into Florida.

But sanctions by themselves actually made this problem worse, by giving Haitians economic as well as political motives for fleeing the country; and thus made US military intervention more likely.

The two factors in Haiti are not likely to coincide often elsewhere. The international community will, therefore, hardly make a habit of applying sanctions wherever an elected government is overthrown by force; still less wherever a government (whether elected or not) starts to behave in a way likely to cause conflict.

The best we can hope is that the example made of countries which have caused conflict – such as Iraq, Libya and Serbia – will deter some others from behaving *similarly*.

None of this augurs very well for Skidelsky's proposal to threaten China with sanctions if it does not relent over democracy in Hong Kong. Certainly the threat to sponsor Taiwan's membership of the UN is less than credible since China is a permanent member of the Security Council and has a veto.

And the threat of trade sanctions is not much better following the U-turn two years ago by the Clinton administration, which meant that American trade with China was no longer conditional on improvements in human rights there.

If anything should give China pause for thought, it is the example of South Africa. The most effective sanction there was disinvestment, which was applied less for moral reasons, or by the decision of governments, than because investors perceived a mounting security risk.

For similar reasons, most western investors remain very reluctant to incur major exposure in Russia. They are not confident about political stability there, or about being protected by the rule of law.

They may well come to feel the same about Hong Kong, and perhaps about China more generally, if China insists on violating the terms of the 1984 Sino-British joint declaration and flouting the freely-expressed wishes of the people of Hong Kong.

·LETTERS TO THE EDITOR·

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: lettersdotedtor@ft.com Translation may be available for letters written in the main international languages.

No start to negotiations

From Mr Zygmunt Tyszkiewicz.

Sir, Robert Taylor is wrong in reporting ("Talks on part-time workers", April 18) that Unice – the European employers' federation – and the European Trade Union Confederation are to start negotiations shortly on the legal rights of part-time workers.

Had he checked his story with Unice, he would know that no such decision has been taken nor can be taken until European employers and unions have had a chance to study the Commission's consultation document on this subject, made available to them only on April 18.

The decision whether or not it would be in the best interest of employers to use the negotiating option allowed by the treaty is likely to be taken around mid-June, after full Europe-wide consultation of Unice's membership. Until then, any reports about negotiations are speculative.

Zygmunt Tyszkiewicz,
secretary-general,
Unice,
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B-1040 Brussels, Belgium

Good move for S African politics

From Obinna Ugochukwu.

Sir, Observer ("New labours", April 15) doubts Mr Cyril Ramaphosa's ability to come back into a leadership role in South African politics from a "senior rung in an industrial conglomerate". How does that work?

Non-blacks have been able to play a role in South African government partly because of the real world business skills and experience they bring to their appointments. As you rightly pointed out Ramaphosa is still young at 43; 10 years added to that puts him at the same age as current African National Congress deputy president Thabo Mbeki is now. That is more than enough time to make a difference in the man, a black South African politician who will have spent time gaining practical exposure to business issues and making contacts in the South African private sector. If he is the astute forward thinking man he appears to be, my guess is he will maintain strong ties within the ANC.

It is not impossible that Ramaphosa could come back into South African politics probably better equipped than any black leader in his age group. The exposure to the "conglomerate" world might actually enhance his ability to reposition himself in South African politics, if the need arises.

Obinna Ugochukwu
2727 29th St. NW
Washington DC 20008, US

Hong Kong's will to build

From Ms Helen Hood.

Sir, In response to Mr Patrick Wye (Letters, April 17), I would argue that the "lack of" welfare support is not a significant factor in the success of Hong Kong. Perhaps on his visits to Hong Kong (assuming he has stayed here) he has managed to avoid seeing the street sleepers and beggars around the colony. In every society they persist to varying degrees, none less so than here. Hong Kong thrives from a generation of people and their descendants who came from China with nothing and had the will to survive and build a future for themselves. That same will runs through the veins of Hong Kong today.

It seems to me that the US with its well touted concern for the welfare of its citizens, as well as looking after minority interests, has the greatest proportion of unemployed youths of whom the majority are "minorities". People in glass houses...

Helen Hood,
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PO Box 30927, Hong Kong

If the glove fits . . . buy it

From Mr John Anstis.

Sir, It was comforting to read in the FT London Stock Market report on April 23 that the purchase of US-based medical glove manufacturer Aladan Corp by London International Group has been adjudged by UK analysts to be "a good fit".

Should we expect the acquisition *to be financed by a* one-for-five rights issue?

John Anstis,
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4 Park Lane,
Salisbury SP1 3NP, UK

Report no rebuke to 'shock therapy' applied in eastern Europe

From Prof Jeffrey D. Sachs.

Sir, Your reporter makes elementary errors of logic and fact in his story "ADB backs 'gradual' Asian reforms" (April 16). The Asian Development Bank annual report is no rebuke to "shock therapy" in eastern Europe, or to me. *Serious analysts of these* issues, certainly including those at the ADB, the European Bank for Reconstruction and Development, the World Bank, the International Monetary Fund, and the respective governments, understand that structural economic conditions in east Asia are vastly different from those in eastern Europe and the former Soviet Union, and therefore have called for very different policy responses in eastern Europe and the former Soviet Union.

Whereas Asian transition economies began as overwhelmingly rural, peasant societies, with only a small proportion of the labour force in state-owned industry, *eastern European and former* Soviet economies began their transitions as overwhelmingly urban, industrial societies. The latter economics were in need of much more drastic downsizing of lossmaking heavy industry, and a much more rapid shift to services. Shock therapy (so-called) has proved, by far, to be the most effective, least-cost way to bring about these changes in eastern Europe and the former Soviet Union. It is simplistic to compare economic outcomes of reform of labour-abundant, coastal countries such as Vietnam, with labour-scarce, land-locked countries of central Asia, since the latter have fewer opportunities for labour-intensive, export-led *growth.*

After six years, the record of rapid reforms in eastern Europe speaks for itself. Poland's reforms, which I helped to design in 1989, have made Poland the fastest growing country in eastern Europe. Indeed, this year, per capita gross domestic product growth in Poland may outstrip the growth in east Asia. Other fast reformers, such as Estonia, Slovenia and the Czech Republic, are also achieving rapid growth. The value of rapid reforms in eastern Europe are by now nearly universally recognised in that region (though not by your Manila-based reporter), in contrast to the confused, and contradictory reforms of *countries such as Russia and* some post-Soviet countries of central Asia.

Your reporter should not pick fights where they don't exist.

Jeffrey D. Sachs,
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Personal View · **Jose Almonte**

Accommodate this ambition

China must be induced to develop a stake in the Asia-Pacific status quo

Reuter

Steamed up: a flotilla of Chinese warships exercising last month off the south-east coast of China

& March 1996 will be remembered as a turning point in east Asia. China's brusque attempt to intimidate Taiwan and influence its presidential election shattered the region's comfortable assumption that drawing Beijing into east Asia's web of economic interdependence would moderate its political behaviour.

In fact, China has border disputes with 10 of its neighbours and claims to 2m sq km of territory – and has been involved in four local conflicts over the past generation. But the March events have renewed anxieties in east Asia about its huge neighbour and the stability of the world's fastest growing region.

For some time, east Asians have discerned opposing strains in Beijing's foreign policy. One is to modernise China's economy, for which it needs foreign markets, foreign investments and regional stability. The other is China's memory of 150 years of humiliation by the great powers, and its need to "right the wrongs of history".

We had assumed pragmatism would easily overcome nationalist sentiments. But even before testing unarmed missiles in the waters around Taiwan, Beijing had encroached on Mischief Reef in the Spratlys – only 135 nautical miles from the Philippine island of Palawan. China's claim to the Spratlys – which it disputes with five littoral states – hinges on the oil deposits the area is believed to contain, and on Beijing's new strategy of "forward defence".

China became a net oil importer in 1994. But military necessity seems an even stronger motive. People's Liberation Army (PLA) strategists have given up their Maoist guerrilla strategy in favour of building up their capability to fight a high-tech naval conflict in the China Sea and the western Pacific. We believe the PLA is using China's Spratlys claim to justify its modernisation plan, with the long-term goal of creating a powerful navy with international reach – which China has lacked since the early 15th century.

The Chinese encroachment on Mischief Reef concerns all the powers using the strategic sea-lanes of the South China Sea. President Fidel Ramos of the Philippines has proposed demilitarising the area, placing each disputed island under the stewardship of the claimant country closest to it – and then undertaking joint development ventures.

Only the US and Japan are strong enough to influence China's political evolution. How these three powers arrange their relationships will dictate our own security framework. Thus we regard the US-*Japan relationship as the cru*cial regional relationship, in which we outsiders all have a vested interest.

How should its neighbours deal with China? Containment may have been justified for an ideological power like Stalin's Soviet Union. But it would be unwise to approach today's China with such a preconceived notion, when this huge and complex nation – a *civilisation all by itself – is undergo*ing such an epic transition.

Certainly we need to discourage China's lingering idea of itself as the "Middle Kingdom", while encouraging trends that make its economy more interdependent with those of its neighbours. We must induce China to develop a stake in the Asia-Pacific status quo.

This is why the members of the Association of South East Asian Nations (Asean) – even while judiciously building up arms inventories – refuse to commit themselves to a proposal for "prepositioning" US military supplies. But we may be sure Beijing's encroachments in the Spratlys will accelerate security co-operation among them and between them and the US and Japan.

Meanwhile, south-east Asia's goal of an Asean commonwealth should be achieved before 2000. Unification will give the nearly 500m people of the region the clout they need to become significant influences in the future world.

Another option our security experts are beginning to consider is a grouping of middle powers as a moderating influence in the region. Together with Australia and New Zealand, our 10 states can deploy economic and political weight comparable with any of the great powers. Last December's security agreement between Indonesia and Australia is a step in this direction.

The key to regional peace in the new century is accommodation of the ambitions of the rising powers – China, Japan, Russia, Indonesia, a unified Korea – for influence in regional affairs.

Because China's potential is so great and its ambitions so strong, it will not be content with remaining a regional power. And since American strategy in the Asia-Pacific envisions its continued pre-eminence, it is easy to foresee a difficult long-term relationship between two countries keen to establish hegemony in the 21st century.

Finding this key will thus be difficult. Fortunately we have the leisure to do so. None of the regional powers faces an immediate threat; and rivalry among them has lost its ideological edge.

Unlike Japan in the 1930s, China is entering an increasingly *open world* economy. And America's military superiority seems assured for at least the next 15-20 years since it keeps at the cutting edge of military technology.

Meanwhile, unifying forces are at work. The market has shown its ability to transfer power painlessly from the state to institutions of civil society. Ethnic Chinese entrepreneurial networks are linking our economies. And there are embryonic multilateral institutions such as the Asean Regional Forum and the Asia-Pacific Economic Co-operation forum.

Our interim goal should be to give liberalising influences in Chinese politics time to work out. The aim is to encourage a new generation of Chinese leaders to rise, who will seek satisfaction of their country's aspirations within the regional community.

The author is security adviser to the Philippine president and director-general of the National Security Council

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FINANCIAL TIMES

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Wednesday April 24 1996

A Sino-Russian exchange

President Boris Yeltsin's first trip to Beijing since the end of 1993 will tell the rest of the world very little that it did not already know. The basic message will be that China and Russia share a long border and a desire to express their independence from the US. The more important – and ominous – issue raised by the visit will be whether Mr Yeltsin, bent on re-election, learns the wrong lessons about economic reform.

For China, the visit will be a useful opportunity to develop trading links, agree on border questions in a way that could reduce separatist pressure from minorities in both countries and step up Russian arms sales to Beijing. Given the poor state of Sino-US relations, it will also be a chance for China to show it has other important friends. Mr Yeltsin will doubtless come under pressure to agree to a joint statement about resisting interference in a nation's domestic affairs.

There seems little chance, however, of a bilateral pact of greater geo-political importance. Even a three-day display of Sino-Russian rapprochement is not going to convince anyone that relations with the US are not by a big margin China's number one concern.

Mr Yeltsin, presently battling with the International Monetary Fund to receive this month's $340m tranche of a crucial $10.2bn loan, is in an even weaker position to claim indifference to US goals. But the pressures of the presidential election campaign have pushed him further and further in that direction in recent months.

This tactic seems to have gone down well with Russian voters, who have long blamed western-style reforms – rather than the haphazard way in which they have been implemented or the legacy of communism – for their troubles. Mr Yeltsin has gained steadily on Mr Gennady Zyuganov in recent weeks. Indeed, a poll yesterday put him fractionally ahead of the Communist chief for the first time.

The Russian desire to go it alone is twinned to another yearning, increasingly expressed, both inside and outside the Yeltsin camp, for a return to old-fashioned authoritarianism. Herein lies the immense appeal of "Chinese-style" economic reform, where the state has maintained a tight grip on the levers of power at the same time as beating western economies at their game.

The Russian government can learn many lessons from China's success, but a need for authoritarianism is not one of them. China's gradual route to the market was not open to Russia in 1989, nor is it available now.

China began as a very poor country populated by peasants on the edge of subsistence. The economy was far less industrialised than Russia's, with a far smaller proportion of the population enjoying the false security of the highly inefficient, state-run enterprises that made up the military-industrial complex. This meant that early, partial, liberalisation, in one area – agriculture – gave an enormous boost to living standards, thus providing momentum for other reforms.

Russia had none of these opportunities. The economic collapse of the first few years of reforms were an inevitable part of ridding the economy of the distortions it inherited from the Soviet era. Russia does need a stronger state. But only one that is capable, as was China's in its own way, of creating a more secure framework for private business. There is nothing in Russia's past – or in the objectives of Russian hardliners – to suggest that this can come through a rejection of democracy. Democracy is a good in itself. It is also essential for economic reform.

Labour rules

In his eight-month courtship of British business, Mr Tony Blair, the Labour party leader, has offered too little by way of detailed policy to underpin his intended message of reassurance. Yesterday's speech, which marked the end of Labour's Business Tour, was no exception. It tackled traditional gulfs between the opposition and business, but has proved more controversial within Labour than informative to those beyond. A thorough account of Labour's industrial policies is still required.

The speech set out to tackle the perceived concern that "Labour reaches for regulation" in its approach to business. Mr Blair's comments on employment law have won most attention.

His support for the Maastricht Treaty's social chapter and for "minimum standards of fair treatment at work" is not new. However, his declaration that "jobs for life have gone", which jarred with many in his party, does represent a further incremental change in Labour's thinking. It acknowledges that work patterns are changing; he suggests that helping people acquire skills may do more for job security "than legislation alone". Labour's recognition that such forces are at work will be welcome to many businesses.

Beyond that point, however, Mr Blair is vague. He insists that his notion of the "stakeholder economy" does not imply more rules. He means, he says, simply "a change in corporate culture, where companies understand that the route to stability and prosperity in the future is through recognising the value of treating employees as partners in the enterprise, and developing relationships with customers and suppliers on a long-term basis". But if companies do not agree that this is the path to prosperity – more rules, or not? Mr Blair is silent.

On a broader front, Mr Blair rightly points out that the government has created many of the rules which its "anti-red tape" drive is designed to remove. But this initiative's fate under Labour is unclear. So, too, are the principles of a Labour competition policy. Would it favour the interests of "national champions" over the creation of competition within the UK? How would it view takeovers, particularly by foreign companies?

Labour says it will publish more detailed proposals soon. While the tour has been an imaginative attempt to address business concerns, it needs to be followed rapidly with a clear statement of Labour's position on the questions at the heart of industrial policy.

Relieving debt

The proposals from the World Bank and International Monetary Fund for relief of the debt of the most grievously indebted poor countries have, inevitably, run into difficulties, some technical and some more fundamental. None the less, there is optimism that these will be solved by the time of the annual meetings at the end of September. They need to be, since the burden of unpayable deadweight debt is crippling the efforts of these countries at self-improvement.

Fortunately, the meetings in Washington this week have seen a general acceptance of the case for rescuing the 8 to 20 countries with unsustainable debt, over a fifth of which is due to international financial institutions. The devil, as usual, is in the detail and, in this case, that detail is mind-numbing. There are two fundamental concerns, however: first, how to fund the IMF's share of the debt relief operation; and, second, how to divide the burden between bilateral donors and the international financial institutions.

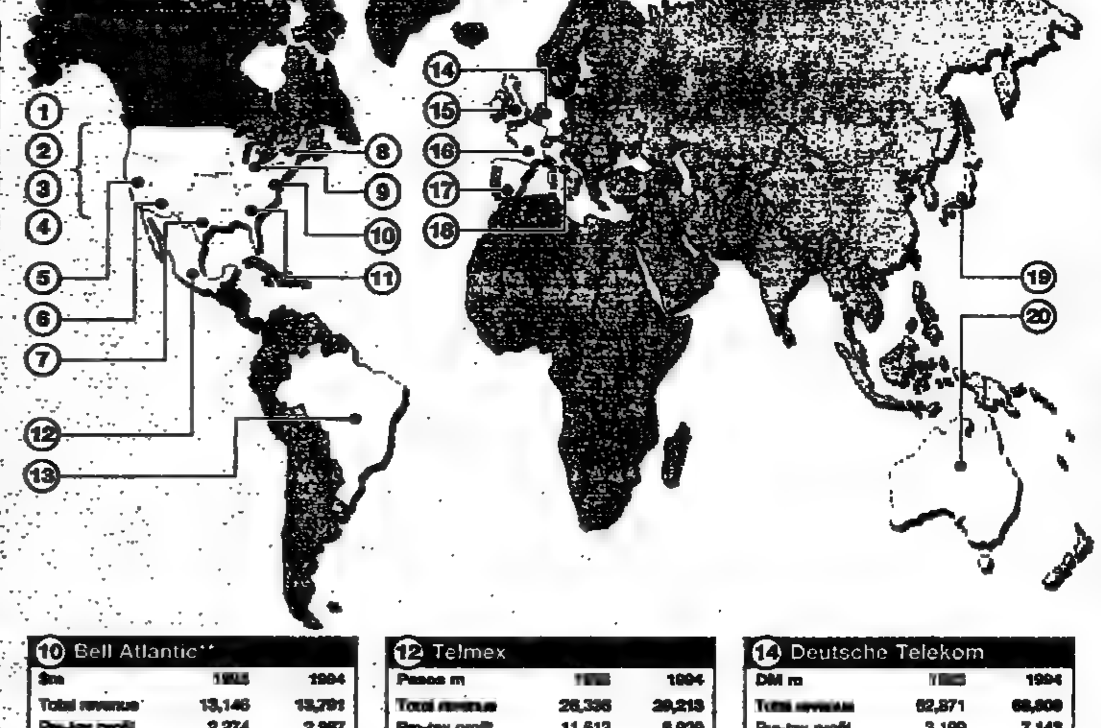
Resolution of the first matters because it will determine whether or not the IMF can make its required contribution. Germany and Japan, in particular, believe that sales of the IMF's gold would set an undesirable precedent. A proposed solution is to "ring-fence" these sales. The more fundamental point is that the gold no longer serves a useful monetary purpose and should be used for something more valuable, such as the proposed debt relief.

The second concern is partly about whether bilateral creditors will relieve enough of their debt. Overall, they account for 58 per cent of the total sums outstanding from the target countries. In some cases they will have to increase the proportion of the bilateral debt to be relieved above the 67 per cent agreed at the end of 1994. Some donors are more willing to consider this than others.

Also important, however, is the willingness of bilateral creditors to contribute to the facility intended to deal with the debt due to the World Bank. The concern here is one of equity. If the needed sums – $250m to $350m a year is being mentioned – came entirely from the Bank's net income, this would be at the expense of other potential borrowers, who are in a worse position to bear the cost than the industrial countries.

Above all, the burden of unsustainable debt needs to be lifted both swiftly and equitably. Failure to resolve these relatively trivial problems by September would be quite inexcusable.

Telecoms: generating cash on an impressive scale



1 AT&T

$m	1993	1994
Total revenue	69,351	75,094
Pre-tax profit	8,003	7,518

2 GTE

$m	1993	1994
Total revenue	19,748	19,944
Pre-tax profit	1,558	3,983

3 MCI

$m	1993	1994
Total revenue	11,921	13,338
Pre-tax profit	1,045	1,280

4 Sprint

$m	1993	1994
Total revenue	11,368	12,662
Pre-tax profit	705	1,375

5 Pacific Telesis*

$m	1993	1994
Total revenue	9,244	9,235
Pre-tax profit	280	1,617

6 US West

$m	1993	1994
Total revenue	10,294	10,953
Pre-tax profit	744	2,283

7 SBC*

$m	1993	1994
Total revenue	10,690	11,619
Pre-tax profit	2,080	2,434

8 Nynex**

$m	1993	1994
Total revenue	13,408	13,307
Pre-tax profit	-394	1,096

9 Ameritech

$m	1993	1994
Total revenue	11,865	12,570
Pre-tax profit	2,223	1,741

10 Bell Atlantic**

$m	1993	1994
Total revenue	13,146	13,791
Pre-tax profit	2,274	2,387

11 BellSouth

$m	1993	1994
Total revenue	15,880	16,844
Pre-tax profit	1,606	3,403

12 Telmex

Pesos m	1993	1994
Total revenue	26,336	29,218
Pre-tax profit	11,612	8,929

13 Telebras

$m	1993	1994
Total revenue	5,134	7,736
Pre-tax profit	417	944

14 Deutsche Telekom

DM m	1993	1994
Total revenue	62,871	66,909
Pre-tax profit	3,199	7,143

15 BT

£m	1993-94	1994-95
Total revenue	13,675	13,893
Pre-tax profit	2,756	2,662

16 France Telecom

FFr m	1994
Total revenue	152,020
Pre-tax profit	17,407

17 Telefonica

Pta m	1993	1994
Total revenue	1,300,417	1,590,842
Pre-tax profit	153,294	250,758

18 Telecom Italia

L m	1994
Total revenue	29,852,748
Pre-tax profit	3,162,524

19 NTT

Ym	1993-94	1994-95
Total revenue	6,652,476	7,037,262
Pre-tax profit	118,906	147,755

20 Telstra

A$m	1992-93	1993-94
Total revenue	12,133	12,788
Pre-tax profit	1,978	2,516

*Merger announced **Merger announced

Source: Analysys

It's good to talk: existing global alliances

Concert: joint venture between BT and MCI to form global supercarrier for multinationals

GlobalOne: supercarrier joint venture between France Télécom and Deutsche Telekom

WorldPartner: supercarrier comprising AT&T, Unisource, KDD and Singapore Telecom

In the wings:
BT and Cable & Wireless merger

High-flyers seek second wind

The rash of mergers and alliances in the telecoms industry reflects fears of stagnating revenue and declining profits, says **Alan Cane**

The telecommunications industry is prodigiously profitable. The leading telecommunications operators are, for the most part, awash with cash. For many, it is easier to buy a competitor with a promising product or service than to develop their own.

The Geneva-based International Telecommunication Union estimated 1994 revenues for the global business, taking in the computing and audiovisual sectors, at $1,430bn, equivalent to 5.9 per cent of the world's gross domestic product. The gross operating margin, a measure of profitability, is estimated to be 40 per cent of revenues. No wonder the sector is a darling of the investment community.

The end of the lode may be in sight, however. Growth of the basic business of providing telephone lines and services is falling rapidly, at least in developed economies. Price regulation and new competition are gnawing away at profit margins. Monopoly profits will fall victim to market liberalisation.

If telecoms operators cannot find new products, services and markets to exploit by the turn of the century the industry will, according to Mr Tim Kelly, the ITU's head of operational research, "look increasingly like an 'ordinary' industry" with "ordinary" profitability and return on capital.

Such fears of stagnating revenue growth and declining profits in what has been one of the world's highest-flying businesses are a principal cause of the rash of mergers and strategic alliances now convulsing the global industry.

The most recent example is the proposed merger this week between Bell Atlantic and Nynex, two of the seven "Baby Bell" regional operators created after the break-up of the Bell System monopoly in the early 1980s. If the regulatory authorities agree to the plan, it will create the second largest US telecoms company, capitalised at about $51bn.

Three weeks ago, two other Baby Bells, SBC Communications and Pacific Telesis, announced that they were merging to create a $50bn telecoms giant. Other alliances involving the remaining three Baby Bells are in prospect.

The deals, which have been some months in preparation, were triggered by the passage this February of the 1996 US telecoms bill. This radical measure removes the regulatory barriers that have separated the telephone, cable and broadcast industries. In particular, it allows long-distance operators such as AT&T, MCI and Sprint to compete in regional markets, and local operators like the Baby Bells to compete in the long-distance market.

The logic behind the Bell Atlantic/Nynex deal is particularly compelling. The companies operate in contiguous areas on the eastern seaboard, enabling them to compete for the lucrative revenues from long-distance calls between them.

Furthermore, Nynex has a majority stake in Nynex Cablecomms, a UK-based cable television operator which – like all cable companies in Britain – is permitted to offer both conventional telephone services and entertainment. Nynex is also a principal investor in Flag, a project to construct a fibre-optic cable between Europe and Asia-Pacific. Yesterday, it signed an agreement with Sprint Communications, the third largest US long-distance operator, which will allow Nynex into the long-haul market. These assets will give the merged company a significant international presence.

The bigger US operators have all sought a wider role in global markets in recent years, but such ambitions have been diverted by the passage of the telecoms bill. Coming soon after Washington's multi-billion dollar auction of cellular phone licences last year, it has turned the attention of the US industry inwards at a time of unprecedented activity elsewhere.

Outside the US, international alliances hold centre stage. The immediate cause of excitement has been the revelation a month ago that the two largest UK telecoms companies were in discussions which could lead to a merger. British Telecommunications and Cable and Wireless are hoping to create a £33bn giant which could become the first truly global telecoms operator.

It is a development which should concern AT&T and other US operators with international ambitions. Yet one senior manager with extensive international experience says: "The Americans are distracted by what is happening in the US. I do not believe that what is happening with BT and C&W is central to their thinking. While the French and Germans are probably alarmed at the prospect of such a powerful competitor, AT&T is probably marginally irritated."

There is no guarantee that BT and C&W can make the merger work. Their top managers and financial advisers are locked in talks which seem set to go on for some weeks.

The geographic fit between the two companies is impressive, however. BT has been building a strong European presence and has a foothold in north America through its 20 per cent stake in MCI, the second largest US long-distance operator. C&W has a clutch of overseas holdings – the most important a majority stake in the very profitable Hongkong Telecom, key to the Chinese mainland.

The prospect of a deal is enough to set pulses racing among the top management of almost every other telecoms operator as they evaluate the likely consequences of it. All face acute challenges in their home markets from a combination of technology, regulation and liberalisation. Of the three, technology in the form of digital transmission, fibre optics, microelectronics and wireless telephony is possibly the most insidious and corrosive. Not only does it make it cheaper for new competitors to enter the market, it reduces the profit margins on services in liberalised markets.

Something similar happened in the computer industry, where large companies such as IBM and Digital Equipment were forced into restructuring as prices fell faster than overheads. Telecoms switches these days are simply large computers and subject to the same price collapse.

Regulation is a further hazard. In newly liberalised markets, regulators control prices to protect customers from undue price increases and encourage competition. It is widely believed in the industry that BT's plans to invest heavily abroad are designed to counter increasingly tough price controls in the UK.

Competition, the purpose and inevitable consequence of liberalisation, is also driving prices down in developed markets. The larger operators must defend their home markets while building revenues abroad. The largest have formed "supercarriers" to compete for the business of the larger international companies: BT and MCI, for example, have a joint venture called "Concert"; the Deutsche Telekom and France Télécom company, GlobalOne, opened for business this year. AT&T continues to work with a consortium of smaller operators it calls World Partners.

For all these reasons, the world's telecoms operators must encourage greater use of the telephone and other telecoms services and seek economies of scale and operating efficiencies. Inevitably they will move into broadcast and on-demand entertainment: the involvement of the Baby Bell US West with the cable companies Time Warner and Continental Cablevision is a pointer to the future.

The most eloquent pointer, however, is the state of the US airline industry. Close parallels can be drawn between the two businesses: in the airline business, liberalisation resulted in cut-throat price competition which drove weaker operators out of business and damaged some larger ones.

The same pattern is expected in telecoms. Within a decade, there will be only a handful of global operators competing for the business of the world's major companies. Mergers which would have been unthinkable a few years ago will have thinned their numbers.

It is, for example, no longer impossible to envisage a merger between Deutsche Telekom and France Télécom. The weaker will have gone to the wall, found market niches or secured alliances with the industry giants. Deals such as the merger between Bell Atlantic and Nynex or, if it comes off, BT and C&W represent more than just commercial opportunism. They are the stuff of survival in an increasingly unfriendly world.

· OBSERVER ·

Silver linings everywhere

■ Let no-one tell you that times are hard in Russia. Sure, the average Russian worker is struggling on about $150 a month, but he (and she) can sleep sound at night, secure in the knowledge that standards are being kept up.

It's emerged that earlier this year the Kremlin ordered 6,000 rather swish pieces of hand-crafted sterling silver, including caviar bowls, champagne buckets and flatware – to kit out four presidential residences – manufactured by the German specialists Robbe and Berking. The company won't put a total price on the order, but its dessert spoons cost $95 apiece. Pocket a few of those and you will soon be able to retire to a decent dacha.

At the presidential residences, diners will enjoy several pieces created especially for the Kremlin: a small silver bowl for a traditional hot mushroom and sour cream appetiser, silver teacup holders, and shell-shaped silver plates for mussels. Each item has been engraved with Russia's double-headed eagle imperial seal. Pass the vodka...

Sensual empire

■ French hacks are closely watching Socpresse, the obscurely named media conglomerate spanning Le Figaro, France Soir and numerous regional papers controlled by Robert Hersant until his death on Sunday. The group's financial health is veiled in obscurity, though it's rumoured to be heavily indebted to several French banks which themselves are looking none too chirpy.

Hersant was equally reserved concerning his private life; there's no mention of any offspring in his entry in *Who's Who*, yet he created quite a personal empire, marrying several times and fathering eight children.

One son, Philippe, missed out on the job as Hersant's successor at Socpresse; that instead went to Yves de Chaisemartin. But Philippe remains chairman of another Hersant creation, France-Antilles, whose assets include newspapers in the rather sun-kissed settings of Guadeloupe, Martinique, Reunion and Tahiti. Life's certainly tough at number two.

A novel plot

■ It's not often a novelist is pressed into becoming president of a country, though Gabriel García Márquez would no doubt have preferred the offer had arrived in slightly different guise.

A clandestine extremist group calling itself Dignity for Colombia has just demanded that the Nobel literary prizewinner assume the presidency of Colombia. If he agrees, the group says it will release Juan Carlos Gaviria – brother of former president César Gaviria – whom the group claimed it kidnapped on April 2, in order to press for the resignation of President Ernesto Samper.

García Márquez modestly rejected the demand because he thinks he would make "the worst president" in Colombian history.

Not *that* bad, surely?

Peruvian penalty

■ The faint-hearted may be advised to look away as south America's football World Cup qualifying competition gets under way today. Football, the world's biggest sport, is becoming increasingly difficult to escape, whichever hemisphere you live in. Europe stages the finals of its own football championship in England in June. Meantime, Europe starts its qualifying competition for the 1998 World Cup today, as does Latin America.

Nine South American countries will struggle for a place at the 1998 World Cup finals, in a drawn-out qualifying contest in which ignominy is the penalty for failure. On the other hand, Latin American countries that normally receive only negative publicity view the football World Cup as their greatest opportunity to redress the balance and bathe in the global spotlight.

But be warned. These matches can turn nasty. Trouble can spread well beyond the confines of the stadium. Today's most sensitive encounter, in Guayaquil, involves Ecuador and Peru, which at the start of last year fought a small border war, in which dozens of people died. If you are thinking of visiting that fine city today, for business or whatever – proceed very carefully.

Tumbling act

■ It would indeed be difficult to make this one up. It seems the practice of church ministers holding services dressed as clowns is taking off in parts of Sweden; the diocese of Vaesteraas, some 60 miles west of Stockholm, is organising a clown course.

Several ministers in the Swedish Lutheran Church have already independently taken clown courses; teaching the new course is British church minister and clown Roly Bain, the founder of the Holy Fools association, which claims about 200 members in England.

His more orthodox colleagues suggest Bain is poking fun at the church. Not so, says Joan Donkin, a consultant with the diocese in Vaesteraas: "He presents the Gospel with humour [and] creates environments which result in meetings with God."

God, this is Coco – Coco, God.

The Financial Times

100 years ago

Australian banking

People who have followed the course of Australian banking for the past few years have ceased to be taken by surprise by rumours affecting the reconstructed banks in the Colonies, so that the announcement which appears in the "Melbourne Argus," just to hand that one, or possibly two more of these institutions, are about to seek concessions from their creditors is received in a very philosophic way. The "Argus," which is the leading daily paper in Melbourne, states in a very authoritative manner that certainly the Australian Joint Stock Bank, and possibly the Queensland National Bank, have to ask their creditors for a reduction of the rate of interest on deposits.

50 years ago

Montreal's refunding

The plans for refunding Montreal's debt are gradually taking shape. The city's executive chairman said that bids to refund the U.S. portion of the city's debt would probably be called in four instalments, starting with $20,610,000 on 1st June. It has not been decided whether the Canadian refunding will be in instalments or in a single block.

FINANCIAL TIMES
Wednesday April 24 1996

Backing of former Communists essential

Prodi aims to move fast to form new government

By Robert Graham in Rome

A new Italian government could be formed quickly in the wake of the centre-left's victory in Italy's general elections, Mr Romano Prodi, leader of the victorious Olive Tree alliance, said yesterday.

Speaking to foreign correspondents, the Bologna economics professor said there was no alternative to a centre-left government. This would accelerate the consultation process with other parties and the head of state.

Support for the formation of the new government came yesterday from Mr Fausto Bertinotti, leader of Reconstructed Communism (RC), formed from the hardline of the old Communist party. RC campaigned with Olive Tree but refused to endorse the latter's programme for government.

The backing of RC's 35 deputies is essential for Olive Tree's majority in the lower house. Mr Bertinotti said: "We are prepared to help in the birth of the new government to reinforce the victory against the right." He said his party would not enter the government but would form part of the parliamentary majority. He was cautious about revealing his stance on some issues, including wage indexation and privatisation, on which RC diverged from the government, but hinted compromise was possible provided the government was prepared to accommodate his views.

On the stalled privatisation of Stet, the state-controlled telecoms group, Mr Bertinotti said he was opposed to the loss of public control. However, Mr Prodi said yesterday he hoped to begin selling off at least part of Stet this year.

Mr Walter Veltroni, deputy leader of Olive Tree and almost certain to be vice-premier, said he believed a deal could be worked out with RC. But he also pointed out that the populist Northern League had supported the economic policies of the previous government led by Mr Lamberto Dini, and he hoped for their support too.

Mr Veltroni and Mr Prodi underlined their commitment to meeting the challenge presented by the League now being the largest party in the rich industrial north.

They said Italy had to adopt a more federal structure, and the League needed to be brought into all discussions on the future nature of the Italian state. Heading off the League's disaffection with central government in Rome was a priority.

Mr Prodi said he envisaged setting in motion the formation of a new administration soon after parliament convened on May 9, and he hoped it would last a full five years.

He also confirmed earlier statements that his government was pledged to bring the lira back into the European exchange rate mechanism as soon as possible. But he refused to say whether he would press for a mini-budget from the caretaker Dini government in the weeks before the new administration takes over, probably at the end of May.

Japanese may adopt US mobile telephone standard

By Michiyo Nakamoto in Tokyo

Japanese mobile phone companies are considering adopting a US standard for digital telephones to use radio frequencies more effectively amid rapidly expanding demand for cellular phones.

DDI and IDO, two of Japan's leading cellular phone operators, said they were considering the use of the code division multiple access (CDMA) standard on the recommendation of a government advisory panel.

Use of the CDMA standard by the Japanese groups would be a victory for its US supporters who have been seeking to establish it as an international standard.

It would, however, be a blow to Europe's Groupe Speciale Mobile (GSM) standard which is the leading digital technology, claiming to have 6m subscribers throughout Europe and in many Asia Pacific countries.

Japan's telecommunications technology council recommended that the government allow the use of CDMA to deal with projected capacity constraints. Only the personal digital cellular (PDC) standard, developed by NTT, Japan's former telecommunications monopoly, is currently recognised.

Adoption of the CDMA standard would be one of the rare occasions when Japan's industry voluntarily signed up to imported technology. The domestic telecoms industry has depended on technology developed by NTT, which has often been out of line with international standards. In 1989, Japan agreed to adopt a US standard for analog mobile phones, but only after pressure from Washington.

Japan's cellular phone market more than doubled from 4.33m subscribers in March 1995 to 10m at the end of last month. At its current growth rate, the telecoms council says the market, the second largest after the US, will have 32.5m subscribers by 2000.

Japanese authorities and the mobile phone industry are worried, however, that capacity will reach a limit before 2000 unless attempts are made to use radio frequencies more effectively.

The telecoms council says adopting the CDMA standard would be part of those measures.

DDI said it would not be able to make a final decision until the government advisory panel published its full recommendation in autumn.

However, in addition to effective use of frequencies, the CDMA standard offered the possibility of shifting users of analog cellular phones to digital phones with the least disruption, DDI said.

NTT Docomo, Japan's largest cellular phone operator, with a 48 per cent market share, said it planned to continue using the PDC standard.

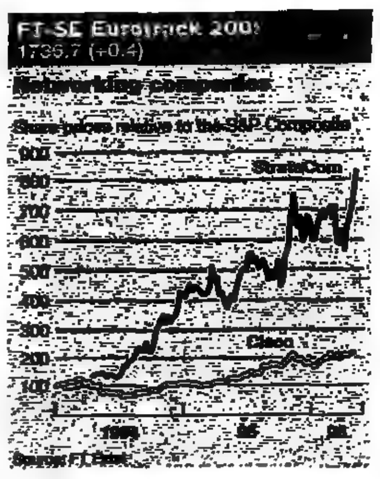
THE LEX COLUMN

Bottoms up

Rémy Cointreau's comparatively upbeat trading statement, which spurred a 4 per cent rise in its shares yesterday, hides a multitude of sins. True, last year's profits are set to be only slightly down and the dividend is being maintained. But profits before exceptional items will be negligible. The dividend is coming from asset disposals and the supply of saleable assets is dwindling.

Of course, a stronger dollar against the franc will boost profits, as will falling French interest rates – total group debt is still FFr6bn ($1.16bn). Nonetheless, Rémy faces the fundamental problem that it has insufficient brands to justify its distribution network. And since the Hériard Dubreuil family controls 53 per cent of the company and appears fiercely committed to independence, takeover rumours should not be given much credence. The greatest opportunity to reverse the underperformance of Rémy shares would be for the group to merge with a medium-sized competitor, or sell a chunk of its distribution business, Rémy et Associés, to other spirits groups. Brown-Forman and American Brands of the US, and Pernod Ricard of France would all make logical partners; but if Rémy is not prepared to relinquish control, such a deal's attractions may not be overwhelming. At least the agreement to distribute IDV drinks in Singapore and Malaysia makes good sense, but it barely scratches the surface of Rémy's problems. Its shares are trading at 34 times forecast pre-exceptional 1996-97 profits, and if management fails to deliver dramatic restructuring, continued underperformance looks inevitable.

FT-SE Eurotrack 200: 1736.7 (+0.4)



Multimedia networking

This week's $4bn purchase of StrataCom by Cisco, the Internet's leading supplier of networking kit, underlines the sea-change in the world of communications. In the past, there used to be three main types of network: public telecoms networks, carrying phone calls; private ones, tailored to large companies' special needs; and the Internet. The lines between the three are blurring. Not only is the Internet invading the telecoms groups' core phone business; corporate "intranets" are taking over some of the functions of private networks. Meanwhile, the telecoms operators are fighting back, by trying to absorb both the Internet and private networks on to their systems. That is one reason for the current rash of telecoms mergers.

In future, the distinctions between different types of network will probably vanish. What will be left will be all-singing, all-dancing networks capable of carrying voice, data and video traffic at high speed. Supplying the equipment to run such networks will require skills in both voice and data networks. Hence, the Cisco/StrataCom deal: Cisco is strong not only in the Internet market but also in private networks; StrataCom is a rapidly growing supplier of fast switches to telecoms companies.

The deal also highlights the fact that hardware companies can have as much fun as software groups. The purchase price values StrataCom at a fancy 12 times last year's sales. Fortunately, that will not stretch Cisco too much because it is paying in shares; as a multiple of sales, its $27bn market capitalisation is nearly as fancy. Not bad for a 12-year-old company.

Southern/UK power

The decision facing Southern Company is tricky and urgent. Do not be deceived by the US camp's disappointed noises; National Power's extravagant offer for Southern Electric of the UK makes it easier for Southern Company to woo the generator's shareholders with a convincing alternative. But the fundamental problem remains: for Southern Company to buy National Power on its own makes less sense than a National Power-Southern Electric link-up.

There are two potential solutions, but both require Southern Company to be brave. The first would be to give up on National Power and look elsewhere. True, if Southern wants to avoid a Monopolies and Mergers Commission enquiry, most of the possible UK candidates – such as Scottish Hydro or a water company – are small. But there is still at least one respectable-sized generator for sale; that is British Energy, which looks a bargain.

Alternatively, Southern Company could bid for National Power and Southern Electric together. That way, it could actually add some value; putting together two contiguous companies, Southern Electric and South Western Electricity (Sweb), would generate cost savings as well as even more formidable vertical integration.

Such a deal would almost certainly be referred to the MMC. But now that the principle of vertical integration has been conceded, there is a reasonable chance that the Commission would wave it through. Even if it did not, the downside looks slim. If the worst came to the worst Southern could simply sell Sweb and hang on to the much bigger Southern Electric.

Rentokil/BET

The battle for BET, billed as one of the most boring bids of recent years, is packing a good deal of excitement into its last week. By persuading some of its leading institutional holders to put their mouth where their money is, BET has publicly secured over 17 per cent of the votes in its favour. Apathy among smaller shareholders and those who cannot accept a bid for technical reasons – such as index-tracking funds – should be worth another 10 per cent. On the opposite side, Rentokil bought 6.8 per cent of BET in the market yesterday and can buy up to 30 per cent if it sticks to the cash alternative price of 202.5p. Another 20-30 per cent of the shares are with arbitrageurs and marketmakers, who will accept the offer to make a quick profit. The mathematics and the fact that the BET share price is still 5 per cent below Rentokil's main cash and share offer favour the predator. But it is no longer a foregone conclusion.

Much of the credit must go to BET's stubborn defence. Mr John Clark, its chief executive, has done a decent job restoring BET to health. But his growth plans rest largely on developing more capital-intensive, risky businesses, like conference and resort management, which the group has only recently bought into. By contrast, Rentokil's appeal remains its spectacular record under Mr Clive Thompson, the chief executive, and his plans to grow margins and turnover at BET's traditional businesses such as office cleaning and textile services. And the deal is expected to enhance earnings from the outset. Undecided shareholders should accept Rentokil's offer.

Additional Lex comment on Sears, Page 20

Chechen rebels deny Russian claims that leader is dead

By Chrystia Freeland in Moscow

Russian troops fired shots into the air yesterday following reports by a state news agency that Mr Dzhokhar Dudayev, the Chechen separatist leader, had been killed. But some Chechen representatives denied the claim and Russian government officials could not confirm it.

If Mr Dudayev – a former Soviet air force general whose fighters have resisted the Russian military for nearly 18 months – is dead, Russian president Boris Yeltsin, struggling for re-election, could claim an important victory. But his death could also provoke reprisals from the Chechens.

Itar-Tass, the Russian news agency which often acts as a government mouthpiece, said that Mr Dudayev died on Sunday night in a Russian rocket-strike on the village of Gekhi-Chu, in south-western Chechnya. Tass said a prominent Chechen leader delivered a statement about Mr Dudayev's death to the agency's office in Grozny, the Chechen capital.

But Mr Sainudi Khasanov, one of Mr Dudayev's aides, denied the report. Speaking to the independent Russian news agency Interfax from somewhere in southern Chechnya, Mr Khasanov said his leader was "alive and working as usual". Several other Chechen representatives also dismissed the report.

Russian government sources, military spokesmen and representatives of the pro-Russian government in Chechnya all said they could not confirm or deny the Tass report.

Some analysts said Mr Dudayev's death could play into Russia's hands by fragmenting the separatists. But, if the report is true, it could also set off a fierce attack on Russian forces as Chechen fighters seek revenge.

Tass quoted a statement from the Chechen separatist leadership which declared that "at this time of great sorrow ... we have only been strengthened in our hatred of the aggressor". Tass also reported that Mr Dudayev's deputy had taken over as the new commander.

The death of Mr Dudayev would have a tremendous impact on Russian presidential elections, scheduled to take place in less than two months.

Conflicting reports and blatant lies, reminiscent of the Soviet era, have characterised the Chechen conflict from the outset. Russian leaders have set the tone, repeatedly minimising the scale of the war.

As part of his re-election campaign, Mr Yeltsin has vowed to end the war in Chechnya, which he has publicly conceded to be one of his biggest political handicaps.

In February, Mr Yeltsin said Mr Dudayev should be shot, but last month the Kremlin boss said he was willing to hold indirect talks with the Chechen leader who has humiliated Russia's military machine.

Merger plan hits Mexico telecoms group

Continued from Page 1

groups against Telmex, would lower the probability of a damaging price war such as the one which occurred in Chile when the long-distance telecoms market became a free-for-all in 1994.

The Alestra alliance brings together Bancomer's large bank customer database as well as the experience of three big foreign telecoms groups in providing long-distance services. But it is also a reflection of the difficulties the Mexican companies were experiencing in raising their required investment in the midst of a deep recession.

"We are going to have to go to the markets to look for these funds," said Mr Peter Hutchinson, the head of Alfa's telecoms project. "It's not as if we each had $1bn in our pockets." Alestra's five-year investment plan has been maintained at $1bn, which has effectively halved the capital outlays of the partners in the new venture.

Alfa has a 25.6 per cent stake in Alestra, followed by Bancomer with 25.4 per cent, AT&T with 20 per cent, and GTE and Telefónica Internacional with 14.5 per cent each.

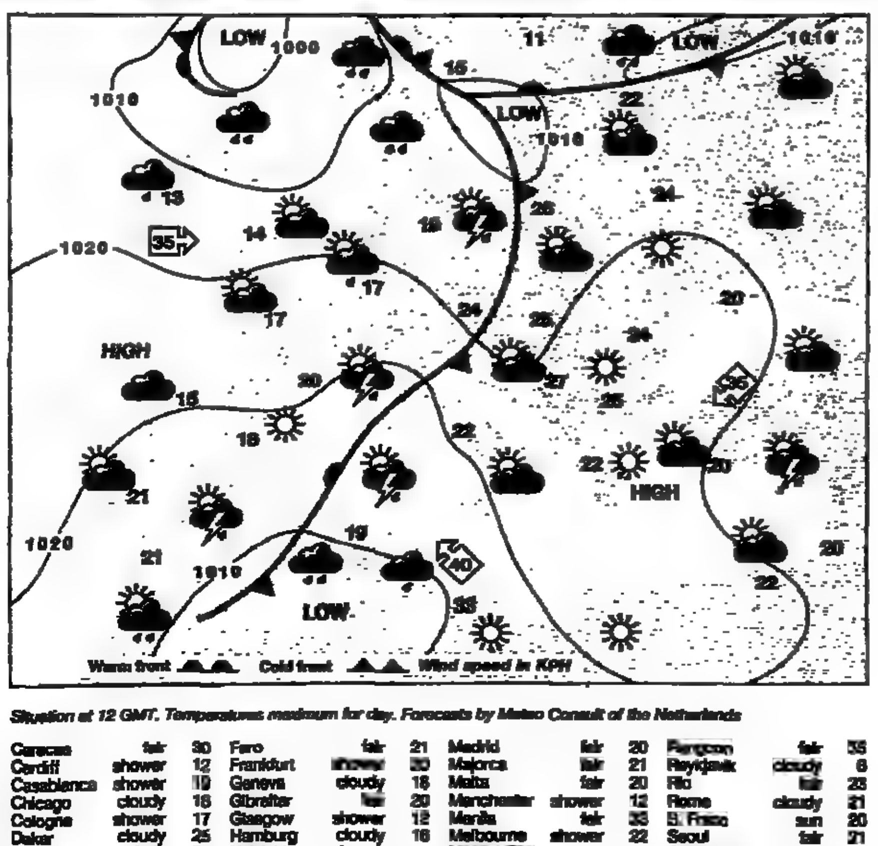
FT WEATHER GUIDE

Europe today

Most of western Europe will be cooler and cloudy, with sunny periods. Inland areas will have showers, and the UK will be cloudy with light rain. A wide area from Poland, across the southern Alps and into northern Italy will have showers with some thunderstorms. Further east it will be dry, warm and sunny, especially in Greece and eastern Turkey. South-western Russia will have widespread sunshine, but northern parts of the country will be overcast with patches of rain.

Five-day forecast

Western Europe will remain mainly dry, becoming warmer and sunnier later in the week. The British Isles will become drier, although on Friday northern areas will have some light rain. Showers will move across central Europe, bringing rain to eastern areas at the weekend. Low pressure over the Mediterranean will bring cloud and intermittent rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	24	Caracas	fair	30	Faro	fair	21	Madrid	fair	20	Rangoon	fair	35
	Celsius		Belfast	shower	13	Cardiff	shower	12	Frankfurt	shower	20	Majorca	fair	21	Reykjavik	cloudy	6
Abu Dhabi	sun	38	Belgrade	fair	27	Casablanca	shower	19	Geneva	cloudy	18	Malta	fair	20	Rio	fair	28
Accra	fair	32	Berlin	cloudy	19	Chicago	cloudy	16	Gibraltar	fair	20	Manchester	shower	12	Rome	cloudy	21
Algiers	fair	19	Bermuda	fair	25	Cologne	shower	17	Glasgow	shower	12	Manila	fair	33	S. Frsco	sun	20
Amsterdam	fair	15	Bogota	thund	20	Dakar	cloudy	25	Hamburg	cloudy	16	Melbourne	shower	22	Seoul	fair	21
Athens	sun	22	Bombay	sun	33	Dallas	windy	28	Helsinki	shower	11	Mexico City	sun	29	Singapore	rain	31
Atlanta	sun	23	Brussels	cloudy	16	Delhi	fair	34	Hong Kong	fair	25	Miami	fair	29	Stockholm	cloudy	15
B. Aires	rain	21	Budapest	fair	25	Dubai	sun	27	Honolulu	fair	31	Milan	shower	19	Strasbourg	fair	19
B.ham	cloudy	12	C.hagen	rain	13	Dublin	shower	13	Istanbul	sun	16	Montreal	shower	10	Sydney	cloudy	23
Bangkok	cloudy	37	Cairo	fair	22	Dubrovnik	fair	20	Jakarta	shower	31	Moscow	fair	22	Tangier	fair	20
Barcelona	fair	18	Cape Town	fair	18	Edinburgh	shower	13	Jersey	cloudy	11	Munich	shower	19	Tel Aviv	fair	20
									Karachi	sun	37	Nairobi	fair	27	Tokyo	sun	19
									Kuwait	sun	36	Naples	cloudy	22	Toronto	fair	13
									L. Angeles	sun	26	Nassau	fair	28	Vancouver	shower	12
									Las Palmas	fair	22	New York	sun	17	Venice	shower	20
									Lima	sun	25	Nice	fair	20	Vienna	cloudy	24
									Lisbon	fair	20	Nicosia	thund	14	Warsaw	fair	26
									London	cloudy	15	Oslo	rain	6	Washington	sun	18
									Lux.bourg	cloudy	14	Paris	cloudy	17	Wellington	fair	15
									Lyon	fair	17	Perth	fair	20	Winnipeg	snow	12
									Madeira	fair	19	Prague	cloudy	21	Zurich	fair	18

مكرر من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS

 Wednesday April 24 1996

IN BRIEF

Grain futures hit record in Chicago

Grain futures prices surged to fresh highs in Chicago yesterday as damage to the US winter wheat crop continued to fuel fears of a shortage. The July wheat contract rose 25 cents in early trading to \$6.19¾ a bushel after the exchange increased the daily trading limit to 30 cents. It closed up 21 cents at \$6.15½. July maize futures climbed 10¼ cents to a new closing high of \$4.60 a bushel. The surge in grain prices comes against a background of *exceptionally* tight world supplies, with world wheat stocks at a 20-year low. Page 22

Bouygues reissues 1995 results
Bouygues, the French construction group, reissued its 1995 results adjusted by more than FFr1bn (\$190m) in a highly unusual move triggered by pressure from the government's accountancy regulator. Page 16

Biondi appointed MCA studios chairman
Mr Frank Biondi, who was abruptly dismissed as chief executive of Viacom, the US media group, in January, has been appointed chairman of MCA film studios, one of the most prominent jobs in Hollywood.
Page 19

Lost Saudi orders to hit Babcock profits
Babcock International, the UK process engineering and materials handling group, issued a profits warning after blaming tension between the UK and Saudi Arabia for a big fall in orders.
Page 20

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Degussa	571	+	13.2
Ind Werke	275.5	+	8
Porsche	830	+	15
Schmalbach Lub	348	+	8.5
Falls			
Aachen Mch	850	−	20
Hochtief	594	−	10
NEW YORK ($)			
Rises			
Acme Elec	10⅝	+	2¼
Digital Equip.	60¾	+	5⅝
Dillard Dpt A	39¾	+	2¼
Wackenhut	44⅝	+	5
Falls			
Cabot	25¾	−	3⅝
St John Knits	61⅞	−	5¼
LONDON (Pence)			
Rises			
Hotspur Inv	768	+	73
Reflex	23	+	8
Falls			
Babcock Intl	113	−	15½
Dickie (James)	172	−	37
Micro Focus	1025	−	118
Standard Sol	18¼	−	7½
TORONTO (C$)			
Rises			
Algoma Central	33.5	+	1.5
Arbor Mem B	22.25	+	0.95
Dia Met Mar B	21.5	+	1.0
Hummingbird	58.9	+	2.4
Falls			
EMJ Data Sys	8.55	−	0.85
Third Cad Inv	13.9	−	1.1

PARIS (FFr)			
Rises			
Bertrand Faure	174.9	+	8.6
Club Med	462	+	11.5
Havas Advtsng	589	+	16
Legris	251.5	+	11.5
Falls			
Lafarge	338	−	11
Pechiney Intl	121.1	−	8.3
TOKYO (Yen)			
Rises			
Akebono Brake	672	+	42
Koito Mfrd	849	+	30
Toyo Tst & Bkg	1080	+	60
Yasuda Tst&Bkg	706	+	28
Falls			
Godo Shusei	830	−	35
Teijin	572	−	22
HONG KONG (HK$)			
Rises			
Assoc Intl Htl	5.65	+	0.3
China Apollo	2.15	+	0.16
Frankiedominion	0.63	+	0.15
Falls			
Cosco Pacific	5.45	−	0.5
HK Ferry A Lam	23.6	−	1.95
Nanny Hldgs	1.7	−	0.28
BANGKOK (Baht)			
Rises			
Siam Pulp	64	+	5.5
Falls			
Interlink Ins	59	−	9
Sompranong	25.5	−	2.75
BT Chemical	34.5	−	4
Thai Coating	27.5	−	3.0
Univentures	91.5	−	3.25

New York and Toronto prices at 12:30.

Stena blames Eurotunnel for deeper losses

By Hugh Carnegy in Stockholm

Intense competition from Eurotunnel, the financially-beleaguered operator of the Channel tunnel, was blamed yesterday by Stena Line, the world's biggest ferry operator, for a 23 per cent increase in its losses in the first quarter.

However, Mr Bo Lerenius, Stena's chief executive, said the *tunnel's share of the channel* crossing market had been largely stable since mid-December, suggesting the big shift in traffic to the tunnel since it opened in 1995 could be slowing down.

"The extreme winter weather should have helped the tunnel to increase its traffic share during the period, but we didn't see it," Mr Lerenius said. "It could be a sign of the market coming into balance.

"We will see this summer *whether they develop further* or not. Of course, we will do everything we can to make sure that doesn't happen."

Stena, the second largest ferry operator on the Channel after Britain's P&O, said Eurotunnel's seizure of about 42 per cent of passenger traffic and a slightly larger share of freight traffic was the chief factor in an increase in Stena's first-quarter losses from SKr406m to SKr504m (\$74m). But Mr Lerenius said the levelling out of market share meant the result was "bang on budget".

On Monday, Eurotunnel announced first-quarter losses of £925m (\$1.4bn), one of the largest deficits in UK corporate history.

Mr Lerenius said Eurotunnel had "gone for volume", abandoning its initial strategy of charging premium prices. He acknowledged that the advent of the tunnel was likely to mean a shrinkage among the five ferry companies operating on channel routes. But he said even if the tunnel took 50 per cent of the traffic, there would be room for "at least" two other operators.

Stena said it had increased its market shares on the Dover-Calais route – the route in closest competition with the tunnel – to 16 per cent for private cars and 18 per cent for freight. But it gave no more details of its performance, apart from saying its overall volumes around the UK remained unchanged from the same period last year.

Mr Lerenius said Stena's overall ambition was to increase its full-year group profits after a tough 1995 when earnings slipped by more than half to SKr201m, mainly due to the opening of the Channel tunnel.

It was also hit by a fall in traffic on its Scandinavian routes in the aftermath of the 1994 Estonia ferry disaster in the Baltic Sea. Stena said group passenger volumes had risen 4 per cent and freight volumes were up by 1 per cent in the first quarter.

Regulator leaves intact Hongkong Telecom monopoly

By John Ridding and Louise Lucas in Hong Kong

Hong Kong's telecoms regulator yesterday announced plans to liberalise some areas of international services, but confirmed it would leave intact Hongkong Telecom's lucrative monopoly on international direct dial calls and leased-line voice services.

The measures eased uncertainty concerning the scope of liberalisation in the industry and were not seen as a threat to merger plans between British Telecommunications and Cable and Wireless, which controls Hongkong Telecom.

"This very much preserves BT's rationale for wanting Hongkong Telecom," said Mr Andrew Harrington, regional telecoms analyst at Salomon Brothers. Hongkong Telecom, which is 57.5 per cent owned by C&W and which contributes the bulk of C&W's profits, is one of the main attractions for BT in a merger.

Announcing the outcome of a two-year review of Hongkong Telecom's international licence, Mr Alex Arena, director-general of telecommunications, said several market sectors would be opened to competition.

These included simple resale of Hongkong Telecom's international leased lines for fax and data services, which will enable rivals to lease lines from the dominant operator and sell services to their own customers, advanced private networks for internal communications between companies, video-conferencing and mobile terminals for mobile satellite services.

Mr Arena said the areas concerned were fast growing markets, but for the moment the most significant move concerned the liberalisation measures in fax and data services. These markets accounted for almost 20 per cent of international call minutes.

Analysts, however, said the impact of the move would be limited by the fact some international fax and data services were already open to competition. "Competition exists on value-added fax and data services," said Mr Dylan Tinker, telecoms analyst at Jardine Fleming, referring to services which include the storage and forwarding of fax communications.

Mr Harrington estimated the various measures announced yesterday concerned revenues of between HK\$1bn (US\$129m) and HK\$2bn, compared with total turnover of HK\$27bn in the year to March 1995. *Although Hong*kong Telecom said it was still studying the measures, it welcomed the clarification of the regulatory environment and the confirmation of its exclusive licence for international direct dial calls.

Mr Arena was guarded on whether a merger between BT and C&W would require approval from the Hong Kong government, arguing that it was necessary to see the form of any deal. He said yesterday's liberalisation measures did not require approval from China, which regains sovereignty over Hong Kong next year, *but Beijing had been briefed on* the moves.

The telecoms regulator said the timing of yesterday's announcement had been influenced by the telecoms liberalisation negotiations being held by the World Trade Organisation.

He said Hong Kong had made some generous offers regarding telecoms liberalisation but had recognised the need to do more on the international side. The moves announced yesterday, which would quickly be implemented in the domestic market, could be part of international negotiations, depending on the progress of the WTO talks.

Rémy issues warning as cognac sales slip

By David Owen in Paris

Rémy Cointreau, the French drinks group, yesterday warned of a fall in profits but said its dividend would be maintained at last year's level.

The company said profits for the year ending March 31 1996 would be slightly lower than 1994-95 because of a decline in cognac sales. This had more than offset the strong performance of a number of other products with narrower profit margins.

The market appeared to take the news in its stride and the company's shares rose FFr5.30, or 3.7 per cent, to FFr150.50. Analysts suggested that while the announcement was not positive, nor was it surprising.

At the interim stage, the group – which is majority controlled by the Hériard-Dubreuil family – slumped to an unexpected pre-tax loss of FFr38.9m (\$7.6m). But it reported a net profit of FFr222.4m after an extraordinary gain of FFr256.7m from the sale of one brand's marketing rights.

Net profits for the year ended March 31 1995, totalled FFr276m on turnover of FFr6.72bn, and the company declared a net dividend of FFr4.60 a share. One analyst said he expected net profits for the year just ended to be nearer FFr200m than FFr280m.

Rémy disclosed yesterday that revenues edged ahead to FFr6.8bn in its last financial year – a gain of just 1.2 per cent, or 5.2 per cent at constant exchange rates.

Much the strongest increase was in the champagne division – which includes such famous brands as Krug and Piper Heidsieck – where sales rose by more than a quarter to FFr889m, spurred by higher prices and volumes.

Cognac sales tumbled 13.5 per cent to FFr2.39bn. The company attributed this to an increase in the price of its Rémy Martin cognac which had resulted in a temporary fall in sales volumes.

Analysts said that while the Rémy brand with its strong position in China was "a great store of value", the company needed to put more product through its distribution system.

Rémy yesterday announced three new distribution agreements in Asia and Europe. It said Rémy Japan had taken control of Barclay Japan, a leading importer of fine wines.

Lex, Page 14

Flagging spirits: Rémy Cointreau has been hit by a decline in sales of cognac

Digital shares jump on 68% income rise

By Louise Kehoe in San Francisco

Digital Equipment's share price rose sharply yesterday after the US computer maker reported a 68 per cent jump in net income for its third fiscal quarter. Earnings were up despite a slump in personal computer sales.

Digital was trading at \$60⅝ in mid-session, up almost 10 per cent from Monday's \$55⅝ close.

Digital said its results, in line with expectations, represented "another proof point" of a turnround after several years of heavy losses.

"The company has now produced six consecutive quarters of improving profits on a year-over-year basis," said Mr Robert Palmer, chairman and chief executive. Net income for the quarter was \$124m, or 74 cents a share, the highest third-quarter earnings in six years. In the same period last year, Digital earned \$74m or 44 cents a share.

Revenues for the quarter were \$3.62bn, up 4 per cent from \$3.47bn in the same period last year. Adjusted for divestments, total revenues from ongoing businesses grew 8 per cent.

Product revenues were up 5 per cent in the quarter to \$2.06bn from \$1.96bn in the third quarter of the previous year. Service revenues increased 4 per cent to \$1.56bn from \$1.51bn.

Demand was strong in most product areas, said Mr Vincent Mullarkey, chief financial officer. Sales of Alpha systems, high performance servers and workstations, grew 60 per cent. Sales of systems running the Microsoft Windows NT operating system jumped 115 per cent, he added.

Digital acknowledged, however, that its personal computer business operated at a loss during the quarter, with sales down about 10 per cent against the same period a year ago. It expected the PC unit to return to profitability by the end of this year.

For the fiscal year to date, Digital reported net income of \$321m, or \$1.91 a share, on revenues of \$10.8bn, versus a net loss of \$38m, or 45 cents a share, on revenues of \$10.1bn a year ago.

Barry Riley

Tracking the smart money in US mutual funds

Once, eager American business school professors argued that active investment management was not worth paying for. Now they are busy working out arguments to the contrary.

Just how much the typical US stock mutual fund trails by has been meticulously calculated on the basis of 10 years of monthly figures by Martin Gruber, chairman of the finance department at New York University's Stern School of Business. His paper* will be published in July's *Journal of Finance*.

He has looked only at standard common stock funds. On a crude basis they underperformed the market by 1.94 per cent a year. However, Professor Gruber has applied a more sophisticated risk-adjusted four-index performance model which corrects for the exposure of funds to non-S&P 500 investments such as bonds and small capitalisation stocks.

On this basis, leaving aside quibbles about whether managers should quite so easily escape blame for the consequences of such departures from the implied benchmark, the annualised underperformance is just 0.65 per cent. Yet, in the US at any rate, it is possible to buy index funds that track the market accurately and cost just 22 basis points. So Prof Gruber poses the question: are investors being irrational in buying actively-managed funds at all?

The index-tracking alternative has become increasingly popular. In the 10 years ending 1994 covered by the study, the number of S&P 500 Index funds grew from 3 to 44. Moreover, Prof Gruber finds that their rebalancing costs are impressively low.

So why look any further? We could assume that the continued existence, and in fact healthy growth, of active funds reflects the ignorance of investors and their susceptibility to cunning marketing techniques. Maybe this is a distortion generated by commission-hungry brokers who must pretend that they have fund selection skills worth paying for.

Are investors being irrational in buying actively-managed funds?

Doggedly, however, Prof Gruber pursues the possibility that *some* investors, at least, are rational. He reasons that if investors are successfully pursuing performance it should be reflected in the cash flows into good funds and out of bad ones. There should be detectable persistence of performance.

Indeed, he finds some significant results. There is a clear correlation between cash inflow and outflow and previous outperformance or underperformance, respectively. It is not surprising to find that investors are influenced by past performance. But more importantly he finds that there is a positive *subsequent* relative return for both inflows and outflows. Performance is persistent enough for fund-hopping to be rewarded.

We should not get too excited, however. The effect is worth only about 28 basis points a year, though depending greatly on assumptions about the frequency of switching. The effect, certainly, can only work for no-load funds, and could not possibly pay for front-end loads.

Prof Gruber's interpretation is that there is an active minority of mutual fund investors who do generate extra performance by chasing funds which appear to be "hot" (and selling those which disappoint). Because mutual funds always sell at asset value there is no extra price to be paid for successful management; in fact the annual fees on the good funds are, if anything, lower than on laggards, Prof Gruber finds.

But this, he says, raises another question. How can bad funds remain in business? Of course, some of them do not, and are merged or have their objectives changed. These "failed" funds in his sample underperformed by a daunting 5 per cent a year, unadjusted. But many remain, and there is no mechanism for shorting bad funds, so sophisticated investors cannot influence them further once they have extracted their money.

Prof Gruber thus postulates two distinct clienteles: sophisticated investors who respond to performance and a "disadvantaged" clientèle which is ignorant or is trapped by factors such as institutional restriction of choice (especially in pension plans) and the overhang of tax liabilities.

So we find minority outperformance of the market index in the context of *overall* underperformance. There is thus a degree of rationality in the growth of active funds, but not when loads are paid. Active mutual fund managers will gain some comfort, but Prof Gruber's ingenious paper will not cause index fund managers too many sleepless nights either.

**Another Puzzle: the Growth in Actively Managed Mutual Funds*

Bouygues restates 1995 loss at FFr2.9bn

By Andrew Jack and David Owen in Paris

Bouygues, the French construction group, yesterday re-issued its 1995 results, adjusted by more than FFr1bn, in a highly unusual move triggered by pressure from the government's accountancy regulator.

The group dropped FFr1.2bn in exceptional write-downs which it had intended to make, largely to cover start-up costs for the launch of its mobile telephone network. This reduces its loss for the year from more than FFr4bn to FFr2.9bn ($568m), against net income of FFr573m in 1994.

The move followed a board meeting yesterday at which the group's directors resolved to follow the advice given by the CNC, the state-backed national accountancy council, that the provisions did not conform with accounting norms.

Bouygues stressed that its own auditors continued to support the original proposals for the write-offs, which were to have covered all the development costs of the telephone network up to 1998. It added that its auditors included a former head of the CNC.

The write-offs covered Bouygues' paging operations, but mainly represented the costs of 37.5 per cent-owned Bouygues Telecom, which will operate the third mobile telephone network authorised in France, set to be launched on May 29. Minority investors include Cable and Wireless of the UK, Veba of Germany, US West, and French banks BNP and Paribas.

Bouygues said it believed the previous results reflected more fairly the "economic reality" of its business, but it had decided to make the modification to conform with the CNC's recommendation and in the interests of "prudence".

The readjustment represents an embarrassing change of policy for Bouygues, and comes at a time when the CNC is increasingly exerting its influence. Mr Jean Arthuis, the French economics and finance minister and himself a former accountant, has taken a number of initiatives to stress the importance of improved financial reporting by companies.

Bouygues originally reported losses for 1995 of FFr4bn – a figure that took into account FFr4.4bn of provisions for its property and industrial holding businesses as well as telecoms. Without these exceptional items, the group would have reported net earnings for the period of about FFr400m, still below analysts' expectations. The group's shares closed down FFr2 at FFr509 in trading on the Paris bourse.

Spain's most profitable bank group ahead in first quarter

By Tom Burns in Madrid

Banco Popular underlined its status as Spain's most capitalised and profitable banking group yesterday when it posted first-quarter net attributable income of Pta14.4bn ($114m), a rise of 5.9 per cent against the first three months of last year.

The results were accompanied by the announcement of new proposals aimed at a possible reduction of Popular's capital that will be put to shareholders at the group's annual general meeting.

During the first quarter Popular, which has a large foreign institutional shareholder base, delivered an annualised return on assets of 1.86 per cent, and on equity of 19.48 per cent.

Despite falling interest rates, a trend which can have negative effect on net lenders on the interbank market such as Popular, the group posted a robust 7.8 per cent year-on-year increase in net interest income, to Pta44.4bn.

Over the quarter, the Bank of Spain lowered its benchmark intervention rate by 0.75 percentage points. But Popular's relative financial margin on March 31 – its net interest income as a percentage of average total assets – represented 5.3 per cent. This was ahead of the ratios reported by other leading banks.

Popular said its board would today approve proposals to boost the group's balance sheet. The proposals include the possibility of reducing the group's capital and/or the par value of its outstanding shares, as well as authorisation to issue debentures or similar securities in order to substitute, if required, the group's capital base.

Analysts said Popular appeared to be under pressure from shareholders to raise dividends by lowering its extremely high capital base. "Popular's backers have long been looking for increased rewards and the board at last seems to taking these demands seriously," said Mr Juan Cuento, chief analyst at Ibersecurities, a Madrid securities house

Popular is the smallest of the big domestic banking groups, and by announcing a possible capital reduction it has signalled that it will not join in any realignment of the domestic financial sector. In contrast Banco Santander and Banco Bilbao Vizcaya, Spain's two dominant financial institutions, are believed to be studying the absorption of other domestic banks.

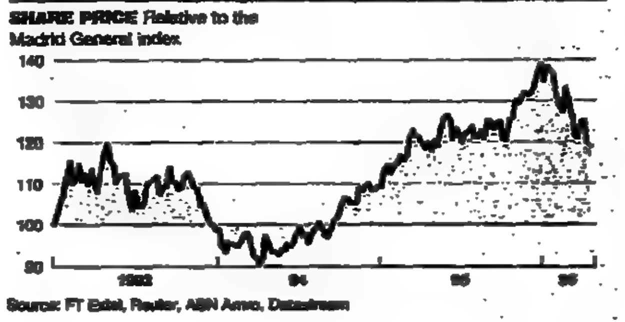
PROFILE

BANCO POPULAR

Market value: $5.03bn Share price: 21,690pta

Pesetas	1993	1994	1995	1996	1997
Turnover	201bn	204bn	222bn	[illegible]	246bn
Net income	53.9bn	54.6bn	57.5bn	64.4bn	70bn
Earnings per share	1,866	1,890	1,989	2,228	2,422
Dividend per share	790	850	935	1,050	1,190
				Forecast	

SHARE PRICE Relative to the Madrid General index



Source: FT Extel, Reuter, ABN Amro, Datastream

KHD sees cut in losses despite falling sales

By Michael Lindemann in Cologne

Klöckner-Humboldt-Deutz (KHD), the German company which almost collapsed last year, yesterday said sales and new orders had fallen in the first quarter but that it still hoped to report a net loss of DM48m ($31.65m), less than the DM90m forecast last year.

Mr Anton Schneider, who came from the troubled Bremer Vulkan shipbuilding group to take over at KHD last May, said that despite the poor start this year the company forecast sales for the full year of DM4.8bn, up from DM3.3bn last year.

Sales of motors, KHD's core product, fell 5 per cent to DM457m in the three months ending March, while sales of industrial plant rose 19 per cent to DM148m.

However, new orders – the figure that companies such as KHD frequently cite as the best indicator of future prospects – fell 6 per cent to DM788m in the quarter, compared with the same period a year earlier. New orders for the whole of 1995 totalled DM3.6bn, 1 per cent lower than new orders in 1994.

Mr Schneider insisted, however, that his optimistic forecasts were not misplaced. He said the company expected to book a large plant contract in the second quarter and that higher motor sales were likely this year because a range of water-cooled KHD engines were quieter and had lower emissions than those produced by competitors such as Perkins of the US.

He said sales in the US had risen by 20 per cent in the first quarter and that KHD expected to make significant inroads in Asia where its leading competitors are not well represented.

However, he admitted that KHD's costs were, in dollar terms, about 15 per cent higher than those of competitors following a round of wage increases of about 10 per cent last year and the rise of the D-Mark against the dollar.

He added, however, that KHD stood to benefit from exchange rate movements since profit forecasts for this year were based on an exchange rate DM1.40 to the dollar. The dollar yesterday stood at DM1.51.

KHD also expects to save about DM170m through a range of measures designed to speed up delivery times and reduce the cost of components. KHD has the capacity to produce about 180,000 engines at its three sites in Germany but will only be producing about 140,000 this year, another factor causing unnecessary costs, Mr Schneider said.

RTL initial results point to strongest year to date

By Frederick Stüdemann in Berlin

RTL, Germany's largest commercial television network, recorded a turnover in 1995 of DM2.87bn ($1.89bn) and net advertising revenues of DM1.96bn, making last year the most successful in its history. The company's full results announcement is tomorrow, when it also hopes to unveil the successful conclusion of a programme rights deal with MCA/Universal.

The MCA rights deal concerns the extension of an existing deal between RTL and the US company which gives the German network access to all MCA television programmes until the end of 1997. The cost of extending the deal is put by industry analysts at DM1bn.

RTL is jointly owned by the Bertelsmann subsidiary Ufa and CLT of Luxembourg, which recently announced plans to merge.

If the deal is completed, it will be the latest significant rights and distribution transaction in Germany's highly competitive commercial TV market, which is broadly split between Bertelsmann and the Munich-based Kirch Group. In recent months both sides have concluded a flurry of deals aimed at securing a dominant position in the emerging German pay-TV market.

Kirch announced last weekend the formation of a joint venture with the US company Discovery Communications to launch a digital pay-TV channel in Germany. This followed a deal earlier this month between Kirch and Viacom under which the German company paid an estimated $1bn for the rights to programmes made by Viacom and its subsidiaries. In February, Kirch concluded a similar deal with Columbia TriStar.

The target for all these new programmes are two competing digital pay-TV networks set to be launched this year by Kirch and Bertelsmann. DF-1, the Kirch network, will launch with 20 channels in July using the "D-box" set-top decoder required for the reception of digital programming.

Bertelsmann is committed to a different system being developed by a consortium called MMBG, in which it is a shareholder with CLT and the German public broadcasting networks ARD and ZDF. This is due to be launched in October.

Autoliv shares jump on strong quarter

By Hugh Carnegy in Stockholm

A surprisingly strong first quarter performance fuelled yesterday's 8 per cent jump in the shares of Autoliv, one of the world's leading car airbag and seatbelt suppliers.

The Swedish group's shares rose SKr28 to close at SKr385 to give a retirement boost to Mr Gunnar Bark, who was in his last day as chief executive. He reported that pre-tax profits in the first three months had risen more than 20 per cent from SKr247m in the same period last year to SKr300m ($44.7m). Some analysts had predicted a fall in profits.

Mr Bark, who hands over today to Frenchman Mr Paul Charlety, said Autoliv had benefited from stronger than expected car production levels in Europe, the group's biggest market. Car production had reached the same levels in the first quarter as during the same period last year instead of the reduction Autoliv had anticipated.

This helped sales rise 9 per cent from SKr2.7bn to SKr3bn. The increased volumes, combined with gains from more efficient production techniques and cost cutting had produced the stronger profits, Mr Bark said.

Sales of airbags during the first quarter rose 11 per cent to SKr1.4bn, while of seatbelts and associated components sales were up 7 per cent at SKr1.6bn. Both increases were boosted by exchange rate developments.

Autoliv, which has around 20 per cent of the world market for airbags and seatbelts, was spun off from Electrolux, the household appliance maker, in 1994, becoming one of the hottest stocks on the Stockholm bourse. Its core markets are in Europe where its customers include Renault, Ford, BMW, Volvo and Saab.

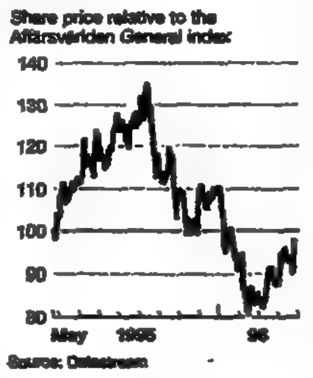
The group has made several acquisitions to complement organic growth. It said yesterday it had increased its share in the French steering wheel manufacturer Isodelta from 49 per cent to 77 per cent. Isodelta will be treated in future as a subsidiary. The move is part of Autoliv's strategy of increasing vertical integration – driver's airbags are installed in steering wheels.

Mr Bark said he saw a doubling of global frontal airbag sales by the year 2000 to 40m. He said the more recently developed side-airbags could grow even faster, from a few hundred thousand in 1995 to 30m.

But he said it was hard to judge market developments exactly because of the uncertainty of price developments.

Autoliv

Share price relative to the Affärsvärlden General index



Source: Datastream

VW cautions despite surge

By John Griffiths

Shares in Volkswagen, Europe's largest carmaker, yesterday rose DM6.75 to close at DM546.75 after the company posted one of the best first quarters in its history. But it warned it was expecting only "marginally" higher sales and profits this year.

First-quarter net profit at Volkswagen jumped from DM13m to DM116m ($76.5m) in the period, on sales up 15 per cent from DM21bn to DM24.5bn. World-wide deliveries of cars and commercial vehicles were also 15 per cent higher, at 946,915 units. Earnings for the parent group rose from DM75m to DM90m.

VW's chairman, Mr Ferdinand Piëch, warned last month about the unit sales upturn this year.

Nevertheless, brokers appeared disappointed by Volkswagen's continuing deep caution about its full-year prospects, against the background of 1995's net profit, which were more then doubled to DM336m on sales only 10 per cent higher at DM88bn.

At the operating level, however, profits were down last year compared with 1994. Mr Piëch has acknowledged that current return on turnover is "unsatisfactory".

The company said yesterday that its caution was based on uncertainties about the prospects for economic growth this year in many of its main markets, particularly Europe. Mr Piëch last month expressed puzzlement at the strength of this year's sales upturn. "We don't know why this is going so well, and if you don't know it's better to be cautious. In many countries where we are doing well the economy has hit trouble."

Volkswagen's caution is being backed by the European Automobile Manufacturers' Association (ACEA), which also maintains that Europe's first-quarter sales surge will peter out later this year.

Nevertheless, the group is slowly stretching its lead in the west European new car market, its Volkswagen and Audi brands accounting for 14 per cent of the market in the first quarter compared with nearest rival General Motors' 12.7 per cent.

When the group's Skoda and Seat subsidiaries are included, its total first-quarter share reached 16.8 per cent, more than four percentage points clear of GM.

مكرر من الأصل

NEWS DIGEST

Hersant deputy to head Socpresse

Mr Yves de Chaisemartin, long-standing deputy to Robert Hersant, the French media magnate who died on Sunday, is to take charge of Socpresse, the holding company which controls Le Figaro. Mr de Chaisemartin, 47, who trained as a lawyer, got to know Hersant in the late 1970s, later joining the group and taking charge of legal affairs and large transactions, where his position became increasingly powerful. Socpresse said the appointment was in accordance with Hersant's wishes.

Speaking on French radio yesterday, Mr de Chaisemartin rejected suggestions that the Hersant group – which is reported to be suffering from heavy debts – would be broken up. He said many claims of the business's difficulties were exaggerated, and stressed he would be fighting for the group to remain independent. He added he had "a certain number of ideas" to deal with the financial problems facing the French press over the past few years. *Andrew Jack, Paris*

Hypo-Bank operating result up

Hypo-Bank, the German bank, announced a 30.5 per cent rise in operating results before risk provisions in the first quarter of 1996, to DM639.5m ($423m). Mr Eberhard Martini, chairman, said there was also a 13.6 per cent increase in net interest income to DM1.146bn while net commission income rose 14.1 per cent to DM228.1m. The net profit from financial operations in the first three months rose 23.4 per cent to DM43.2m. Administrative expenses increased 1.5 per cent to DM808.6m, of which staff costs were DM487.2m. Mr Martini ruled out a capital increase in 1996. *Frederick Stüdemann, Berlin*

SBC in deal on StanChart unit

Swiss Bank Corporation yesterday agreed in principle to acquire Standard Chartered's private banking business for an undisclosed price which analysts expected would be in excess of £100m ($151m). The private banking business has a strong position in the Asian market, with more than 4,000 wealthy clients and assets under management of more than $5bn. Its contribution last year to Standard Chartered's pre-tax profits is estimated at close to £15m.

Standard Chartered said the disposal was part of its strategy of focusing on its main activities. It has already sold its fund management, trust and securities businesses.

SBC also announced the acquisition of a private client portfolio with $1bn of capital under management, from Chase Manhattan Private Bank. SBC has been expanding its considerable private banking operations, and seeking to increase the proportion of funds managed outside Switzerland. The bank told analysts recently it would consider acquisitions in this area. Standard Chartered's private banking operations employ 240 people in Hong Kong, Singapore, Geneva, Jersey, Taiwan, Vancouver and Dubai.

George Graham, Banking Correspondent

Cable venture opens credit line

Philips Communication and its joint venture partner, the US cable television group United International, have arranged a $900m credit facility from a consortium of banks led by ABN Amro. The venture, UPC, will use the funds to expand the European cable operations, which service 3.2m customers in 14 countries. *David Brown, Amsterdam*

Cost cuts lift Esselte pre-tax

Lower costs helped Esselte, the Swedish office products group, report a 15 per cent increase in pre-tax profits from SKr165m to SKr190m ($28.3m) in the first quarter of the year despite the negative effect of a stronger Swedish krona and a fall in sales. The company, best known for its Dymo labelling products, said it expected full-year profits would exceed last year's SKr592m, but would not grow as fast as the 43 per cent rise in 1995. Sales in the first quarter fell from SKr3.2bn to SKr3.02bn, but Esselte said there was an underlying rise of 1.5 per cent when exchange rate differences were ironed out.

Hugh Carnegy, Stockholm

Wintershall boosts turnover

Wintershall, the oil and gas subsidiary of German chemical company BASF, announced a 6 per cent increase in group turnover in 1995 to DM4.6bn ($3.03bn). Pre-tax profits were down slightly at DM306m. The company said oil output rose 10 per cent last year to 6.1m tonnes, while gas production was 2.1bn cubic metres, a fall of 100m cubic metres.

A series of joint-ventures and co-operation deals with the Russian gas company Gazprom were instrumental in lifting group turnover in 1995, Wintershall said. These included the development of a gas field on the Jamal peninsula in Siberia where, according to Gazprom estimates, there are reserves of 10,000bn cubic metres of natural gas.

Wintershall said it expected oil output to rise to more than 7m tonnes in 1996 and gas output to increase to 2.5bn cubic metres, with the development of new oil and gas fields in Europe and north Africa. These include the North Sea gas field Windermere, in which Wintershall holds a 60 per cent stake. *Frederick Stüdemann*

Institutions buy Romanian stake

Elvila, a leading private Romanian company, has raised $10m in one of the country's first international private placements. The placement, which involved 18 institutional investors in the US, UK and France, represents about 25 per cent of the company. It was arranged by Société Générale, one of the few western banks with an office in Bucharest, together with Intervam, a local broker. A further stake of about 15 per cent has been sold locally. *Virginia Marsh, Budapest*

Van Leer offer range set

The offer price in the flotation of Van Leer, the Dutch packaging group, was yesterday set at between Fl 28 and Fl 32 per share. The lead manager, ABN Amro bank, said a maximum of 16.9m shares would be offered via a public offering in the Netherlands and through private placements abroad. The remainder would consist of existing shares held by the owners or purchased for further placement by ABN Amro. Subscriptions are open until May 2.

David Brown, Amsterdam

Sandoz investors back merger

Sandoz, the Swiss bioscience group, said 99.6 per cent of shareholders at its extraordinary general meeting yesterday approved its proposal to merge with Ciba. *AFX News, Basle*

Linotype-Hell in DM74.7m loss

Linotype-Hell, the German pre-press company, planned to reduce losses drastically during the current year after sustaining a net loss of DM74.7m ($49.3m) in 1995. It said it would achieve this by expanding its distribution network and winning new customers via the launch of lower cost products. That, combined with the cost-cutting programme launched last autumn, would lead to a sharp narrowing of last year's losses, the company said. *AFX News, Eschborn*

Enichem slips in first quarter

Enichem, the Italian chemicals group, said its operating profit in the three months to March was L220bn ($142m), 24 per cent lower than a year earlier. Earlier, Enichem said that its first quarter sales fell 14 per cent to 2,950bn. *AFX News, Milan*

Atlas Copco increases sales

Atlas Copco, the Swedish engineering company, said sales in the three months to March 31 were SKr6.034bn ($899m), up 7 per cent from a year earlier. New orders were SKr6.657bn, up 8 per cent. Based on a comparable structure and exchange rates, volumes were unchanged. *AFX News, Stockholm*

German executives discover a nice little extra

Moves towards share options for top managers are likely to provoke controversy, writes **Wolfgang Münchau**

Having preached the virtues of social responsibility for decades, German companies have discovered shareholder value. Their new-found enthusiasm might suggest that they invented the concept.

Many companies are considering options which not long ago they would have treated with contempt. BASF, the chemicals group, wants to be able to buy back its own shares, a practice not allowed under German law. Several companies, including Daimler-Benz and Veba, have adopted US accounting rules to woo international investors and provide more transparency.

German accounts give fewer details than US accounts and allow companies to value some of their assets more conservatively. They are aimed more at the creditor than the investor, reflecting Germany's different capital market structure.

But perhaps the most significant illustration of the cultural upheaval taking place in German boardrooms is the rush towards executive share options. The purpose of executive share options is to reward managers and to ensure shareholders and managers have the same interests.

Continental, the tyre company, and BHF-Bank have run small-scale option schemes for some time. But the issue touched a sensitive nerve only when it became known that Daimler-Benz and Deutsche Bank, Germany's best-known industrial group and its best-known bank, had decided to introduce executive share options for top management.

When Daimler and Deutsche Bank set a trend, others are likely to follow. Mr Ron Sommer, Deutsche Telekom chairman, said he also wanted share options, and observed that without them German managers had "zero interest in taking risks". An official at Deutsche Bank said: "If we want to have an international management, we must also have international salary packages." Siemens, the electronics group, has also discussed the matter.

However, not all are happy about German executives' enthusiasm for share options. Trade unions are just discovering their potential danger.

Mr Bernhard Wurl, a senior official at IG Metall, the metal workers' union, said at an internal meeting at Daimler-Benz recently that share options may run counter to a trade union's interest because they change the company's corporate objectives – and could mean job cuts. The Daimler-Benz supervisory board decided to force the issue and won by 11 votes to nine, a rare case of a controversial policy being introduced on a contested vote. The move was opposed by nine of the 10 employee representatives (the one who voted yes was the chairman of the company's work council).

Those opposed included Mr Klaus Zwickel, president of IG Metall and Germany's most prominent trade unionist, who argued that share options would make the management focus too much on share price. This has never been denied by those in favour – the vote simply reflects that the two sides pursue different interests.

A movement towards Anglo-Saxon habits is perceptible, but it is still slow and certainly not prevalent. Daimler-Benz may have introduced share options, but the basic salary of Mr Jürgen Schrempp, the company's chairman, is set to stay higher than the basic packages earned by his leading US counterparts.

As one observer at a US bank noted: "It is strange that while everybody introduces executive share options, the basic salary packages are not coming down. For the Germans, share options seem to be just a nice little extra."

At Daimler-Benz, the value of the options will remain a fraction of the basic salary, unless the share price rises considerably.

Yet there appears to be wide agreement that German companies are finally abandoning cosy corporatism in exchange for the unknown quantity of shareholder value, even thought not everybody understands its significance.

The divided vote on Daimler-Benz's supervisory board has shown that there is no consensus in Germany about the notion of shareholder value as it is widely understood in the US or the UK. Once German trade unions fully realise the implications of the shift from a fixed to a variable structure of executive pay, opposition is likely to mount – especially when well-known executives, such as Mr Schrempp of Daimler-Benz or Mr Hilmar Kopper of Deutsche Bank, start receiving multi-million D-Mark pay packages.

In a country where pay differentials between top managers and assembly line workers are among the lowest in the world, two outcomes are likely: either the option element of the pay package will remain small and thus symbolic, in which case there is no real change; or, if the package is substantial, the relationship between industry and trade unions may become more confrontational, especially when the same managers lay off thousands of employees.

By giving way to heavy pressure from its investors, Daimler-Benz has chosen to risk controversy. Not every German company will do likewise.

Bimantara Citra doubles year's profits

By Manuela Saragosa in Jakarta

Bimantara Citra, the Indonesian holding company controlled by President Suharto's second son, reported 1995 net profit more than doubled on the previous year, exceeding its forecasts.

The company, which has interests in media, telecoms, infrastructure, vehicles and financial services, did not say what drove earnings higher but analysts attributed the increase to the company's interests in transportation, telecoms and broadcasting.

Net profit rose from Rp54.9bn to Rp117.8bn ($50.6m) on turnover up from Rp644.4bn to Rp702.2bn. Bimantara had been indicating it would report net profit of Rp111bn for 1995 and is predicting net income of Rp158bn-Rp160bn this year, representing growth of about 35 per cent.

"The difficulty is that the published consolidated results do not provide sufficient detail to suggest where specifically the strong performance has come from," according to Mr Jonathan Harris, analyst at HG Asia Indonesia in Jakarta.

Bimantara Citra, which floated shares in Jakarta last June and is among the largest listed companies on the exchange, has stakes in about 26 units. Only those in which the holding company's interest is more than 50 per cent are fully consolidated.

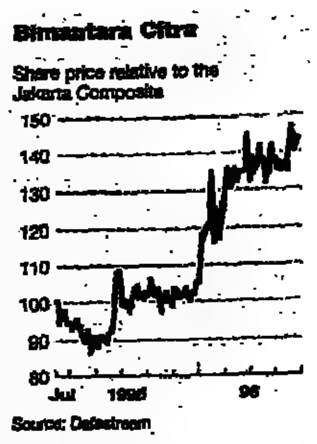
However, analysts believe Satelindo, which competes with the state-controlled Indosat in providing international direct dial telephone services, is among the units which helped drive Bimantara Citra's earnings higher. Bimantara Citra has a 9 per cent stake in Satelindo – which is expected to report profit of Rp25bn for last year – through one of its holding units.

Analysts also say Rajawali Citra Televisi Indonesia, a nationwide television station in which Bimantara Citra holds a 70 per cent stake, made Rp57.9bn in net profit in 1995.

While the company's broadcasting and telecoms units are expected to continue to play a significant role in driving earnings higher this year, it is the automotive division that is likely to receive most attention.

Mr Bambang Trihatmodjo, President Suharto's second son and Bimantara Citra's president director, announced earlier this year that he intends to match his younger brother, Mr Hutomo Mandala Putra, in manufacturing a "national" car. Mr Hutomo has been awarded exemption from import tariffs on car components and a luxury sales tax to manufacture the car in a technical assistance arrangement with South Korea's Kia Motors.

Indonesia's minister for trade and industry has said another "national" car would overcrowd the market. Nevertheless, Mr Bambang said earlier this month that Bimantara Citra would go ahead and produce a "national" car together with South Korea's Hyundai Motors, even though he has not received the same concessions as his brother.



Sasol enjoys legacy of South Africa's former isolation

The phasing out of protectionist measures in the country will hardly affect the synthetics fuel producer, writes Mark Ashurst

South African business historians should reserve a chapter for Sasol, the synthetic fuels producer, in their account of the transition from apartheid pariah to a modern economy. Created as a strategic energy source in anticipation of the oil boycott, this bastion of Afrikaner economic muscle has emerged unscathed from the upheaval.

The current government's commitment to winding down the protectionist measures that bolstered local industry during isolation has brought widespread liberalisation of the liquid fuel industry – but none of the measures will threaten Sasol's dominant position.

On the contrary, the government has identified it as a potential supplier of feedstock for a downstream petrochemicals industry which could create 150,000 new jobs.

Paradoxically, Sasol's static share price reflects investors' confidence. When the rand plunged earlier this year, shares rallied for comparable companies whose products are priced in dollars but whose costs are local and payable in rand. Yet Sasol, which is unique among South Africa's seven oil refining companies in manufacturing its fuel from coal, held steady. "Institutions are generally overweighted in Sasol, which has excellent long-term growth prospects," says one analyst.

Late last year, the cabinet approved plans to phase out Sasol's annual R1.1bn ($258m) government subsidy by 1997. Although the decision will cost Sasol about R3.4bn by 2000, the stock has continued to trade at about double net asset value. Restrictions on imports of crude oil by private oil companies have also been lifted, in effect legalising competition in a market where the biggest importers routinely undercut the ruling barrel price during the sanctions era.

This has lessened the role of the state-owned Central Energy Fund, which manages the national oil reserves, sets wholesale and retail prices, and collects a levy of 9.4 cents a litre on forecourt fuel sales to finance synthetic fuel subsidies for Sasol and Mossgas, the state-owned natural gas refinery. According to Mr Kobus Van Zyl, CEF general manager, the creation of an independent liquid fuels regulator may also be in the pipeline. "There is a lot of background music that plays that tune. If you talk to civil servants of standing, there is clearly support for the idea," he said.

The easing of regulation has not, however, placated Sasol's crude oil-importing competitors. South Africa has the highest concentration of oil companies in the world by market size, largely because of generous price control mechanisms. Importing companies are legally bound to take up 100 per cent of Sasol's synthetic fuel output, buying in direct proportion to their market share.

"We have a lot of companies, but no competition," notes one senior civil servant involved in the restructuring of an industry that includes BP Southern Africa, Caltex Oil (formerly owned by Chevron of France), Engen Petroleum (prior to sanctions, an arm of General Mining, now Mobil), Shell South Africa (the divested subsidiary of Royal Dutch Shell), Total South Africa, and Zenex Oil (previously owned by Exxon).

Sasol's barrel price is set on a par with that of imported crude, and underwritten by a sliding subsidy calculated on the basis of the imported barrel price. Oil company profits are also fixed by the CEF, which prescribes retail prices, including guaranteed margins, for both the wholesale company and retail petrol stations.

Notwithstanding their pleas for deregulation and the abolition of price controls, the six importer-refiners agree the mandatory take-up of Sasol products should continue. But they are fiercely opposed to the phased abolition of the Sasol subsidy, a policy which Mr Colin McClelland, director of the South African Petroleum Industries Association, argues is at odds with the creation of "an equitable, efficient and internationally competitive dispensation. There is no justification for Sasol's already healthy profits to be boosted by taxpayers' subsidies."

Dr Paul Jourdan, adviser to trade and industry minister Mr Trevor Manuel, counters that the phasing-down period gives the government time to develop its vision of a downstream petrochemicals industry – a sector where import prices are high. He notes that Sasol, which was state-funded prior to its listing in 1979, enjoys an international comparative advantage at "the very capital intensive stages of chemicals manufacture".

Sasol will be encouraged to increase its output of petrochemical feedstocks to a downstream chemicals sector at export-parity prices. "We have our main lever this year," says Mr Jourdan, who is working on changes to the protection system, which may include incentives for Sasol to invest outside mainstream synthetic fuels production – a carrot to complement the subsidy reductions. Smith Barney in New York estimates the phase-out will cost the group between R305m and R320m in fiscal 1997 and 1998 respectively.

With South Africa's liquid fuels requirement growing by about 1.5 times GDP growth, and likely to exceed existing capacity by 2000, the extent of the government's ambition for Sasol cannot obscure the attraction of this market for traditional oil companies. Mr Jacques Piccard, energy analyst at Smith Borkum Hare, says the importing companies are set to invest in a third crude oil refinery but are wary of the current deregulation process.

A Sasol inspector checks pastilised hard wax for quality

NEWS DIGEST

China to resume bond futures trading

China plans to allow the resumption of bond futures trading after suspending such trading last May following a scandal on the Shanghai stock exchange, in which one of the country's largest securities firms sought to manipulate the market. Shanghai's official Wenhui Daily newspaper quoted Mr Yang Xianghai, president of the Shanghai bourse, as saying the resumption of bond futures trading was part of a "series of steps to lay a firm foundation for the exchange's expansion".

The move coincides with the beginning of a pilot open market scheme in treasury bills under the auspices of the People's Bank of China, the central bank, and also plans to consolidate Shanghai's position as a bond re-purchase centre. Attempts to revitalise Shanghai's financial markets follow several years of doldrums caused by lack of investor confidence, a poor regulatory record and a credit squeeze.

The Shanghai bond futures scandal was supposed to have been caused by Shanghai International Securities allegedly dumping large volumes of futures contracts in an effort to drive down the the price of a contract it had sold short. Resumption of bond futures trading is certain to be subject to strict controls with limits on the volume of contracts traded and price movements.

Mr Yang recently told a conference of representatives of companies listed on the Shanghai stock exchange that the exchange would encourage the issue of more B-shares, which are denominated in US dollars, and offer foreign companies secondary listings. Companies issuing A-shares, which are targeted at domestic investors, would have "new trading products" such as convertible bonds and warrants. Convertible bonds, which carry the option of being converted into shares, are likely to prove popular on Chinese markets.

Tony Walker, Beijing

NZ Telecom in multimedia buy

Telecom NZ, the Wellington-based telecoms group, has acquired DVP, a privately-owned multimedia company based in Brisbane, for an undisclosed sum. The company, which currently employs around 40 people, is involved in interactive television, CD-Rom, CD video and applications of the Internet for corporate and government organisations, including as training programmes.

Telecom NZ, which is already heavily involved in providing resale services in Australia through its Pacific Star unit, said that the acquisition of DVP was part of its strategy to develop new media, Internet and telecommunication markets. Telecom's Pacific Star Communications subsidiary had revenues of around NZ$148m (US$101.5m) in 1994-95.

Nikki Tait, Sydney

Advice on goodwill from ASC

The Australian Securities Commission, the industry watchdog, said yesterday that it would release next month an "issues paper" on the vexed question of how bidders for mining companies should treat goodwill arising as a result of the acquisition. The issue has become contentious over the past six months, with a number of bidders trying to avoid having to amortise – or progressively write off – the large amounts of goodwill which usually arise in such deals. Some analysts have suggested that this has added to the wave of bid activity in the goldmining sector in particular, although most concede that other factors have also been at work. *Nikki Tait*

■ Memtec, the listed Australian filtration company, is to pay US$52m for Seitz Filter Werke, a leading German producer of filter media for the food and beverage industries. Seitz's sales were about US$57m last year, and it has two manufacturing sites in Germany. *Nikki Tait*

Intel, Sharp boost flash technology

By Michiyo Nakamoto in Tokyo

Intel of the US, the world's largest semiconductor maker, and Sharp, the Japanese electronics company, have jointly produced advanced semiconductor technology that makes it possible to produce smaller flash memory chips.

The two companies, which have been co-operating on the development of flash memory chips, said they jointly developed 0.4 micron processing technology that makes it possible to reduce the size of the chips by 44 per cent.

Flash memory chips, which can hold data even when the power is turned off, are used mainly in portable applications such as cellular phones and personal digital assistants.

The new technology is expected to expand applications of flash memory chips – a $1.9bn market in 1995, which is forecast to grow to $7.8bn in 1999. Although flash has not lived up to initial expectations that it would replace the hard disc drives used to record data in PCs, or dynamic random access memory chips, which are the commodity memory devices, the two companies are confident about the future growth of the market.

"We think it's going to be a big market, and we want to continue to have number one market share," said Mr William Howe, vice-president of Intel.

For example, flash memory can be used to record audio messages on a single chip, which eliminates the need to re-wind an audio cassette tape, and can be transferred to the PC or other IT equipment, Mr Howe said.

The latest development strengthens the co-operative relationship between Intel and Sharp, which agreed an alliance in flash memory chips in the early 1990s. Under the agreement, the two sides have co-operated in the development of flash memory although production of the chips has been carried out individually.

Together, Intel and Sharp have about 45 per cent of the market, according to Dataquest, the consultancy. Intel has announced plans to invest $1bn in a new facility in Israel dedicated to flash memory chip production, while Sharp is investing a similar amount in a new line it is building in Japan.

AMD, another US semiconductor maker, and Fujitsu of Japan, also have an alliance covering flash memories, while Hitachi and Mitsubishi Electric are working together to develop advanced flash technology.

JCI bucks trend as profits fall 3.4%

By Mark Ashurst in Johannesburg

The run of sharply increased quarterly profits from South African gold mines ended yesterday as JCI posted a 3.4 per cent drop in after-tax profit for the March quarter to R77.1m ($18.1m), compared with R79.8m in the previous quarter.

A sharp fall in production and a decline in the average yield at Randfontein mine was offset by a 6.1 per cent rise in the gold price, but revenue remained flat at R522.3m against R523.8m.

Analysts were disappointed by the performance, and said that the actual decline was masked by the higher bullion price.

"They have put their heads on the block to promise better results next quarter, but the factors that explain this decline are not unique to JCI and the market will not be sympathetic," said one.

Tonnage milled at Randfontein was flat at 1.8m tons, but total gold output fell to 5,224kg from 5,573kg as the Christmas holidays disrupted production.

While other mining groups had compensated for the loss in working days by mining richer ore bodies and accepting a decline in tonnage, Randfontein was becoming a low grade mine, analysts said. "The expansion into high grade ore on the South Reef is still some way off, and until then Randfontein is bound to disappoint," said one.

A rights issue at HJ Joel had raised about R400m to fund capital expenditure, and was 95 per cent subscribed. But lower gold production, a higher interest bill on outstanding debt and higher working costs resulted in an after-tax loss of R5.3m against a profit of R1.1m in the previous term. Analysts were surprised by the loss, which came in the wake of ambitious plans for the mine unveiled in the run-up to the rights issue.

However, the decision to sell forward all production at Western Areas mine until 2004 had not compromised the gain from higher bullion prices. The average gold price received at the mine was R49,182 against R46,378. "It is a very flexible hedge with lots of upside potential. That is the best price of anyone in the industry," said Mr John Brownrigg, head of the gold division.

Western Areas posted a 4.3 per cent rise in after-tax profit to R55.9m from R53.6m, or 63 cents a share against 59 cents. This was due largely to a 9.4 per cent improvement in pre-tax profit from gold to R48.8m from R44.6m.

مكرر من الأصل

Telmex slides 25.3% at operating level

By Daniel Dombey in Mexico City

Teléfonos de México (Telmex), the country's largest private company and monopoly operator of long-distance telecommunications, suffered a 25.3 per cent fall in operating profits in the first quarter of 1996, as spending cuts failed to keep pace with falls in the company's revenues.

However, Telmex's net income was boosted by the recent strength of the peso against the dollar.

Operating profits stood at 3.7bn pesos ($502m), compared with 5bn pesos for the first quarter of 1995.

Net profits surged to 3.5bn pesos from a loss of 561m pesos a year before, when Telmex had been badly affected by foreign exchange losses.

"On the operating side, these results are rather weak," said Mr Pat Jurczak at Nomura Equity Research in New York.

While the company's sales fell 16.5 per cent compared with the same quarter last year, to 10.5bn pesos, cash operating expenditures declined by only 3.8 per cent. The company's operating margin stood at 35.4 per cent.

Telmex linked the decline in sales to the fact that telephone charges lag behind the rate of inflation, despite a price increase at the beginning of the year that made up some of the ground.

An increase of lines in use of only 1.9 per cent, compared with previous years' figures of 12 per cent or more, also contributed to the decline in revenue.

Telmex's operating expenses were also affected by higher depreciation charges to reflect a more inflationary environment in which technology becomes obsolete at a faster pace.

However, the company made clear that while it was considering an imminent increase in domestic long-distance rates, it would maintain prices in real terms below the levels of before the 1994 devaluation of the peso.

"Our rates will stay competitive at international levels. In fact, they will be below international levels," said Mr Adolfo Cerezo, Telmex's chief financial officer.

Mr Cerezo thought Telmex's revenues would start to show year-on-year growth by the fourth quarter of his year, though he agreed that the company might lose 10 to 20 per cent market share in 1997.

Long-distance telecommunications will be opened to competition later this year and Telmex will be obliged to connect the new entrants to its network as of January 1997. Two of its biggest potential competitors have announced they are uniting and will market their services under the AT&T name.

International tobacco lifts RJR Nabisco

By Richard Tomkins in New York

RJR Nabisco, the US tobacco and food group that last week defeated the corporate raider Mr Bennett LeBow in a proxy fight, yesterday reported another quarter of lacklustre growth in its underlying businesses, with international tobacco providing the nearest thing to a bright spot.

However, Mr Steven Goldstone, chief executive, said he was confident that "based on what we've seen in the first quarter, we can deliver on our commitment of a strong overall operating and earnings performance for the year".

Net income after preferred stock dividends rose 13 per cent to $187m, and earnings per share were 12 per cent ahead at 57 cents, but special factors helped these bottom line figures. Operating profits rose only 3 per cent at $640m.

As before, the results fell far short of those reported by Philip Morris, RJR Nabisco's bigger and more successful rival. Last week Philip Morris reported a 15 per cent increase in first quarter net income to $1.6bn – nine times the figure reported by RJR Nabisco.

The best-performing part of RJR Nabisco's business was international tobacco, which lifted its contribution to operating profits from $179m to $197m, an increase of 10 per cent. The rise resulted from a 23 per cent growth in volume.

RJR Nabisco said volume in the former Soviet Union set a record for the region, and Asian markets continued to exceed expectations, but these gains were partly offset by a small decline in western Europe.

In the US, RJR Nabisco's tobacco operations increased their contribution by just 3 per cent to $380m. The company's flagship Camel brand increased volume by 9 per cent, but total full-price volume was only slightly ahead. Overall US volume fell slightly because of a decline in sales of the company's cheaper brands.

The group's Nabisco food operation, which reported separately on Monday, did less well than the tobacco business. Operating profits from the international food side rose from $44m to $50m, but this gain was more than offset by a tumble in domestic profits from $201m to $188m, caused by tough competition in the US biscuit market.

After an $11m pre-tax charge for the cost of the proxy fight with Mr LeBow, after-tax profits were unchanged at $198m, but a fall in the charge for preferred stock dividends enabled the company to show an advance at the bottom line.

Salomon surges to $276m for first term

By Maggie Urry in New York

Salomon, the parent of the Salomon Brothers investment bank, recorded its third best quarter ever in the first three months of 1996, with net income up from $81m in the same period of 1995 to $276m. Earnings per share were ahead from 59 cents to $2.21 fully diluted.

However, the first quarter of last year was a difficult time for Wall Street houses, and the rise in net income is less impressive compared with the third quarter of 1995, when Salomon's net income was $268m. The fourth quarter figure was $168m, after Salomon Brothers was hit by losses from proprietary trading.

Even so, the results suggest Salomon's recovery from the turmoil of the past two years is continuing. A large number of senior people left last year, dissatisfied with their compensation, and in 1994 profits were affected by the plunging bond market and the unearthing of years of accounting errors.

Salomon Brothers' pre-tax income was $362m in the first quarter, compared with $60m in the same period of 1995, but below the $381m made in the strong third quarter.

Revenues from fixed income sales and trading jumped from $398m in the first quarter last year to $732m, nearly matching the third quarter figure of $733m, in spite of a less favourable background for bond investors recently.

However, equity revenues fell sharply, from $152m a year ago to $64m. Losses on Japanese equity-arbitrage positions cut revenues. Salomon does not reveal whether losses have been realised.

Investment banking revenues were $181m, against average quarterly revenues of $118m in 1995.

The Phibro commodities trading business made a pre-tax profit of $145m, up from $123m, but losses at the renamed Basis Petroleum oil refining and marketing business deepened from $51m to $55m as refining margins remained weak.

NEWS DIGEST

Nynex ahead 19% in first quarter

Nynex, the New York-based telephone company which on Monday announced a $51bn merger with Bell Atlantic, raised its first-quarter net income by 19 per cent before exceptionals, to $362m. It also announced a two-year pact with Sprint, the long-distance phone company, to attack US long-distance markets. Nynex said it would buy network, billing and marketing services from Sprint for long-distance calls in the US and overseas.

Revenues rose 6 per cent to $3.3bn. Access lines grew 5 per cent, while minutes of use rose 11 per cent. The joint cellular venture with Bell Atlantic increased revenues by 30 per cent. Nynex CableComms, the UK cable-TV subsidiary, increased subscribers by 62 per cent. Earnings per share rose 15 per cent before exceptional gains to 83 cents.

Nynex said 960 employees had taken early retirement in the quarter, giving rise to a net charge of $66.5m. Under a staff reduction plan initiated in 1994, between 17,000 and 18,000 employees are due to leave by 1998, giving rise to total net charges of $1.3bn. *Tony Jackson, New York*

Bristol-Myers sharply up

Strong volume growth enabled Bristol-Myers, the US health and consumer products group, to report record first-quarter earnings, up from $657m to $726m, and from $1.29 to $1.44 a share. The group said sales volumes grew 12 per cent, while prices were stable, but unfavourable exchange rates cut 1 per cent from revenues. Revenues rose 11 per cent to $3.7bn in the quarter.

Pharmaceutical sales rose 14 per cent, led by a 47 per cent increase in sales of Pravachol, a cholesterol-lowering drug, to $255m and a 59 per cent rise in sales of Taxol, an anti-cancer agent, to $200m. Consumer product sales rose 10 per cent, while revenues from medical devices, such as replacement knee and hip joints, fell 3 per cent. Nutritional products, such as infant formula, increased sales by 16 per cent.

Although the earnings were at the top of forecasts, the shares retreated $⅞ to $81¼ in early trading. *Maggie Urry, New York*

Monsanto below expectations

Weakness in global chemical prices and increased advertising in the food products division led Monsanto, the US chemicals conglomerate, to report disappointing first-quarter earnings yesterday. Earnings per share were $2.17, compared with analysts' expectations closer to $2.32 a share, but 7 per cent ahead of the $2.02 per cent a share it earned in the same period last year. In early trading in New York, Monsanto shares dropped $2 to $154⅞.

Margins, however improved for the company as net income rose 14 per cent to $260m from $229m on revenues that were nearly flat at $2.3bn. Operating profits were mixed for Monsanto's four primary divisions. *Lisa Bransten, New York*

Turner warns of write-offs

Turner Broadcasting warned that cash flow in its first quarter would be halved by write-offs due to poor box office returns at one of its film-making units, Castle Rock Entertainment. Turner is in the process of being taken over by Time Warner, subject to regulatory approval.

The company said write-offs would total $80m. Operating cash flow in last year's first quarter was $66m, down from $108m the year before. Castle Rock, which makes low-budget films, was acquired in December 1993. Turner's shares fell $⅜ to $27⅞. *Tony Jackson*

Continued growth at Northern Telecom

By Robert Gibbens in Montreal

A drive into fibre-optic network installation and overseas expansion continued to fuel growth at Northern Telecom, Canada's biggest manufacturer of telecommunications equipment.

The company yesterday posted a 33 per cent rise in net profits for the first quarter of 1996, to US$82m, or 32 cents a share, from $61m, or 24 cents, last time. Revenues were $2.6bn, up 16 per cent from $2.25bn. A rise in orders of 31 per cent to $2.64bn reflected gains in North America and Europe. The results were in line with most forecasts.

Revenues were strong in the US because of good growth in network equipment business. Besides the gains in Europe, Nortel did well in the Caribbean and Latin America, partially offset by a decline in the Asia-Pacific region. Canadian revenues improved.

Selling, general and administrative expenses were 18 per cent of revenues, against 20.3 per cent a year earlier. Research spending was US$402m or 15.5 per cent of revenues, against 14.4 per cent, reflecting rising activity in the wireless and broadband communications sectors.

"Order input in broadband networks indicates the impact of the US Telecommunications Reform Act, and customers are preparing for more competitive conditions," said Mr Jean Monty, president.

Nortel is controlled by BCE, Canada's biggest communications group.

Coinciding with yesterday's results came news that the company had won a $500m contract to supply WorldCom, one of the world's largest multimedia network carriers, with specialist equipment.

WorldCom said the deal would help expansion in its supply of voice and data access services, Internet access, video transmission and multimedia applications.

● Abitibi-Price, Canada's biggest newsprint producer, posted first-quarter earnings of C$72m (US$52.8m), or 81 cents a share, up from C$30m, or 34 cents, a share a year earlier, on sales of C$709m against C$609m. However, the result was lower than the final quarter of 1995.

Takeover costs put Disney in red

By Christopher Parkes in Los Angeles

A $525m one-off charge to cover the cost of taking over ABC/Capital Cities and associated accounting changes helped drive Walt Disney, the leading entertainment group, into a loss of $25m in its second quarter.

Net income excluding the non-recurring items matched analysts' predictions at $258m, or 47 cents a share – down 15 per cent from $316m, or 60 cents, last time. Even so, the group share price fell $1⅛ to $61⅛ in early Wall Street trading.

Operating income for the quarter rose 8 per cent to $656m on revenues of $4.5bn.

The company, which last year reinforced its top management and is currently producing new films and television programming at near-record rates, said sales from these operations – bundled together as "creative content" – increased 18 per cent to $2.4bn, compared with $1.9bn.

But operating income fell 37 per cent to $262m, despite big international successes such as *Toy Story*, the ground-breaking computer-animated movie still setting records in the international market in the wake of *Pocahontas*.

The company said creative results had been affected by the release of fewer live action movies in the domestic market and write-offs associated with scrapped projects in the development phase.

Pocahontas: an international success for Disney

The comparable quarter's results were also bolstered by the video release of *The Lion King*.

Theme parks and resorts, several of which are undergoing substantial facelifts and updates, also reported a 15 per cent increase in revenues to $1.1bn from $920m.

Attractions in Florida and California, home of the original Disneyland, drew record attendances for the time of year, the company said, although the parks' operating income slipped 17 per cent to $662m.

Broadcasting revenues, basically unchanged at $1.4bn laboured under the effects of a soft advertising market, although the newly-acquired ESPN television sports network is said to be performing strongly.

Disney also said the board had approved a new stock repurchase programme allowing the company to buy back a maximum of 104.5m shares. The programme replaces a similar one approved before the acquisition of Capital Cities.

Ex-Viacom chief joins MCA

By Tony Jackson in New York

Mr Frank Biondi, who was abruptly dismissed as chief executive of the US media group Viacom in January, has been appointed chairman and chief executive of MCA, the entertainment group.

The much-rumoured appointment had been a matter of dispute between Viacom chairman Mr Sumner Redstone and MCA's owner, the Canadian drinks group Seagram.

The MCA job, one of the most prominent in Hollywood, had been vacant since Seagram bought MCA from Matsushita of Japan a year ago. Attempts by Seagram chairman Mr Edgar Bronfman to hire the Hollywood agent Mr Michael Ovitz had broken down, with Mr Ovitz instead moving to Walt Disney.

Seagram's more recent attempts to hire Mr Biondi had been blocked by Mr Redstone, who cited a non-competing agreement signed by Mr Biondi while at Viacom. As the price of waiving the agreement, Mr Redstone was reported to be seeking to vary the terms of a joint cable-TV venture between Viacom and MCA.

Mr Biondi said yesterday: "Mr Sumner had asked to have some conversations with MCA before releasing me from the non-compete [agreement]. Yesterday he called me and said since we hadn't been able to reach a resolution, it was time for me to get on with my life." He said Mr Redstone's talks with MCA were continuing.

Frank Biondi: undecided about MCA buying a TV network

In dismissing Mr Biondi after a nine-year partnership, the 72-year old Mr Redstone had blamed him for being slow to react to a downturn in earnings at Viacom's Paramount studio. Mr Biondi said yesterday: "The irony is that when the dust settles in 1996, I think Paramount will have had one of the best years in its history."

Mr Biondi, who will also join the Seagram board, said his chief emphasis would be on developing MCA's highly successful recorded music business. "You'd need to be deaf, dumb and blind not to see that as the most attractive part of the business," he said.

Mr Biondi said he had yet to form a view on whether MCA should own a TV network as a means of securing distribution for its output. "It's a hard question to answer. I haven't seen inside the business. Every studio needs access to a network. The question is whether you need to own it."

Company considers selling its Hush Puppies shoe stores

Sears slumps to £120m loss

By Christopher Brown-Humes

Sears, the retail group, yesterday said it was considering selling its Hush Puppies shoe stores as it slumped to a £119.7m pre-tax loss from profits of £158.8m in the year to January 31.

The group was hit by £219.8m of exceptional charges, linked mainly to losses on disposals. Underlying performance was also hit by weaker shoe, mail order, and womens' wear results.

Trading profits fell from £143.6m to £106m.

Mr Liam Strong, Sears chief executive, said the 123 Hush Puppies stores were being "reviewed" because they overlapped with some of the group's other businesses, and lacked their size and growth prospects.

The British Shoe Corporation had a disastrous year in 1995, with trading profits slumping from £38.1m to £7.5m on sales 2.2 per cent lower at £604.8m.

The operation grappled with difficult trading conditions, a poor performance by Dolcis, and stock problems caused by a poorly-managed change from old to new formats.

There was also a disappointing performance from Freemans, the mail order business, particularly in the second half when the group found it hard to recruit new agents.

By contrast, Selfridges, the group's flagship department store, had a strong year, lifting trading profit by 21.8 per cent to £34.6m and turnover by 14.7 per cent to £278m.

NatWest Markets has lowered its forecast for 1996-97 profits to £110m from £120m-£125m, citing the continuing problems at British Shoe and Freemans.

But the shares still rallied 1.5p to 98.5p on the belief that the group should be over the worst of its troubles.

The final dividend was maintained at 2.9p, giving 3.95p for the year. Losses per share were 7.p (earnings 7.5p).

Harvey Nichols valued at £148m

By Louise Lucas in Hong Kong

Harvey Nichols, the Princess of Wales' favourite department store, has maintained its reputation for high price tags with its pending flotation.

The shares are to be priced at 270p, at the top of the indicative range, valuing the London store at £148.5m ($224m). The pricing puts the stock on a historic p/e of 26.

Dickson Concepts, the Hong Kong luxury goods retailer which bought the store from Burtons in 1991 for £51m and is now selling 49.9 per cent, will receive about £64m from the deal, to be taken as an exceptional profit, net of expenses, of about £56.8m. It will boost the Hong Kong company's treasure chest to more than HK$1.2bn.

Mr Dickson Poon, chairman of Dickson Concepts, said yesterday that the offering of 24m shares had attracted provisional orders in excess of 15 times. This suggests the additional allotment of 3.45m shares will be triggered, leaving Dickson with 50.1 per cent of Harvey Nichols.

Mr Poon also outlined ambitious expansion plans, including a new exclusive franchise and distribution agreement, and a blueprint to open 50 shops in south-east Asia.

It plans to open 27 shops in the colony this year, including two Warner Bros Studio Stores and under the new franchise deal with Joan & David, the US women's wear clothes label, the group will open six outlets in Hong Kong, Taiwan and Singapore.

Malcolm Watson

Joseph Wan, chief executive, right, and Clive Morton, finance director, announcing the share price at the Knightsbridge store

Babcock blames Saudi Arabia for expected loss

By Tim Burt

Babcock International, the process engineering and materials handling group, yesterday issued a profits warning after blaming political tension between Britain and Saudi Arabia for a big fall in orders.

The company – confirming reports in the Financial Times last week – accused Riyadh of cancelling contracts following Britain's decision to rescind the deportation order against Mr Mohammed Al-Masaari, the leading Saudi dissident.

Shares in the group fell 15½p to 113p after it said that its failure to win $220m of orders from Saudi Arabia would contribute to an £18m operating loss in the year to March 31.

Mr John Parker, chairman, said three important civil engineering deals had been cancelled – the largest of them on the day after Mr Al-Masaari was given leave to appeal against his deportation.

"If this situation is not resolved it will create long-term difficulties for British companies," he added.

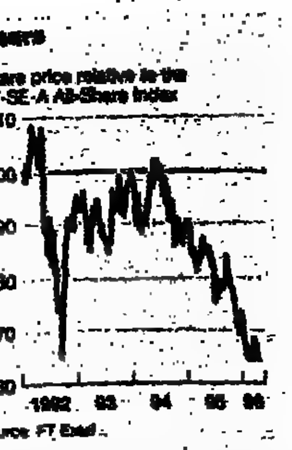
Other engineering companies, including John Brown Engineering and Davy – the Trafalgar House subsidiaries, admitted they had also lost orders.

Shares also fell yesterday in some of the UK's largest defence-related companies, which have significant potential exposure to Saudi Arabia. British Aerospace fell 14p to 864p, GKN shed 13p to 979p and Vickers ended the day down 8p at 253p.

Saudi officials said that all contracts were judged on commercial and not political grounds. But Babcock has decided not to bid for any further deals until the political climate improves.

LEX COMMENT

Sears



Sears' slide into loss after exceptional charges hardly covers its chief executive Mr Liam Strong in glory. Four years into the job, he has manifestly failed to deliver the promised turnaround in the diversified retailer's performance. But there is little to be gained from a change in management. Mr Strong's basic strategy is right. It may have taken longer than it should, but he has slimmed down the group and integrated support functions. With the exception of the likely disposal of Hush Puppies, the restructuring is at last complete. The argument for further disposals is persuasive but not compelling. The flotation of Harvey Nichols on a valuation of 26 times historical earnings certainly makes spinning off Selfridges look tempting. But if Harvey Nichols fails to live up to its ambitious valuation, the attraction of floating Selfridges could well fade.

Furthermore, plans to open regional Selfridges stores suggest Sears is exploiting the value of the brand. The Freemans catalogue business, which Sears also wants to expand, is a better candidate for disposal: the fit is less obvious, and the hoped-for consolidation doubtful, since none of the market leaders want to sell. The other possible divestment is British Shoe, but given its continuing difficulties, it is hardly the right time to maximise shareholder value.

Mr Strong probably has another year to get it right. Given the poor start to trading this year and the company's admission that the latest structural changes will not feed through into profits until the second half, the timetable is a tight one.

Barclays chief leaves in strategy dispute

By William Lewis

A senior executive of Barclays, the UK's second largest bank, has resigned following a dispute over strategy and structure.

Mr Tony Vine-Lott has left his post as head of Barclays retail stockbroking and trustee activities after his plan for a shake-up of his division was put on hold.

It is understood Mr Vine-Lott's proposals were rejected by Mr Martin Taylor, chief executive of Barclays, and he was effectively forced out.

Mr Vine-Lott was unavailable for comment.

DIGEST

Positive mood at Games Workshop

It is run from a Portakabin in Nottinghamshire by an ex-tax inspector with a philospophy degree. But yesterday a positive trading statement from Games Workshop pushed the shares 31p higher to 390p and boosted further the personal fortune of Mr Tom Kirby, the company's 45-year-old chief executive and founder.

He still holds 8.25 per cent in the business which makes and retails miniature fantasy warriors, such as Space Wolves, Blood Angels and Orks, used in elaborate war games.

The group said that trading in the current financial year had been "strong" and the company was expecting profits ahead of market estimates. Mr Kirby said results would also be boosted by a 53-week year and a weekend known as Apocalypse 100 in March, celebrating the opening of the Games Workshop store in Warrington, the company's 100th.

Mr Tim Steer, small companies analyst at Merrill Lynch, yesterday increased his profits forecast from £7.7m to £8.8m for the year to the end of May and from £8.8m to £9.5m for the following year. He described March as "an awesome month" for the company because of Apocalypse 100, but estimated underlying sales growth at 30 per cent.

If the UK supported 90 stores, then the group had hardly scratched the surface in France, Germany and the US, said Mr Steer.

David Blackwell

Daewoo fails to buy Lotus

Daewoo, the South Korean industrial group, has been told by Group Lotus that its negotiations to buy the company have failed, and a search is on to find other potential industrial "partners" for the British sports car maker and engineering consultancy.

"Daewoo is no longer in the picture", Lotus, which employs 1,000, mainly at Hethel in Norfolk, said last night.

It refused to identify any of the new parties said to be involved in discussions. However, "we are looking for more than just a financial partner", the company said.

It appears unlikely, however, that any deal is imminent. Lotus insiders last night were suggesting that it could be several months before any deal emerges.

John Griffiths

BET boosted as three reject bid

By Geoff Dyer

BET received a huge boost yesterday to its defence against a hostile £2.1bn ($3.2bn) takeover bid from Rentokil when three institutional investors, representing nearly 10 per cent of the shares, came out publicly against the offer.

The news represented a significant coup for Mr John Clark, BET's chief executive, and suggested that the bid battle, which Rentokil has been a strong favourite to win, will be considerably closer than most predictions.

However, Rentokil, the rival business services group, also improved its position by buying 6.8 per cent of BET shares in the market and received the public endorsement of Standard Life, which has about a 3 per cent stake in BET.

The offer closes on Friday, and BET can call on the support of 17.25 per cent of the shares, after M&G, its largest shareholder, declared on Friday it would reject the bid. Rentokil now has the backing of around 13 per cent.

Huntleigh rise buoys shares

By Simon Kuper

Shares in Huntleigh Technology jumped 75p to 888p yesterday, valuing the medical equipment group at more than £250m, ($377m) as it reported pre-tax profits of £12.8m for 1995.

The group, traded on the USM, plans to seek a Stock Exchange listing by mid-June, but would not issue new shares.

The outcome compared with profits of £6.66m last time, struck after an exceptional provision of £3.1m against a claim by the US government, which has since been settled without admission of liability. Stripping this out, profits showed a 32 per cent rise.

The group said exports to continental Europe in the first quarter of 1996 were "particularly strong", suggesting "further progress" in performance in the first half of the year. Huntleigh is this year to open a sales office in Kuala Lumpur, hoping to profit from growth in Asian healthcare.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alexandra Workwear	53 weeks to Feb 3	65.3	(61.8)	5.3	(4.3)	10.3	(8.4)	4	June 28	3.7	6.5	6
Cosalt	6 mths to Mar 3	36.1	(33.4)	1.11♠	(0.828♠)	6.18	(4.48)	3.6	Aug 30	3.25	-	8.75
Bickle (James)	6 mths to Feb 29	17.2	(14)	0.99	(0.891)	8.34	(8.95)	2.2	June 5	2	-	5.5
Fishers Intl ₤	Yr to Dec 31	24	(0.002)	0.874	(0.256L)	0.63†	(1.16L)	0.2	Jul 5	nil	0.32	nil
Hughes (T.J)	Yr to Jan 27	50.9	(48.5)	0.916	(1.63)	3.2	(5.43)	1.85	Aug 5	1.85	2.85	2.85
Huntleigh Tech §	Yr to Dec 31	91.9	(70.1)	12.8	(6.66♠)	29.93	(11.45)	4.5	July 1	3.25	8	6
McCarthy & Stone	6 mths to Feb 29 ★	24.2	(25.1)	2.1♥	(1.4)	0.8	(0.4)	0.55	July 1	nil	-	2
PCT §	Yr to Dec 31	22.2	(22)	1.36	(1.58)	11.47	(14.56)	5	July 1	5	7.7	7.7
Revolution Piccadilly ф	Yr to Feb 25	4.16	(2.72)	0.051	(0.081L)	6.14	(12.16L)	-	-	-	-	-
St Ives	6 mths to Jan 28	165.7	(127.8)	19.6	(15.7)	13.37	(11.16)	2.9	June 3	2.5	-	8.5
Sears	Yr to Jan 31	2,335	(2,144)	119.7L♠	(153.8)	7.1L	(7.5)	2.9	July 1	2.9	3.95	3.95
Shanco	Yr to Dec 31	11.5	(8.41)	0.847♠	(0.582)	6.8	(6.1)	2.2	July 12	2	4.2	4.7
Investment Trusts		NAV (p)		Attributable earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust High Inc	6 mths to Mar 31	73.63	(75.47)	1.23	(0.913)	3.16	(2.99)	1.6#	May 24	1.5	-	6.2
Dunyat	56 wks to Mar 31	25.06	(-)	3.22	(-)	2.11	(-)	-	-	-	-	-
Govett Strategic	6 mths to Mar 31	360.4	(286)	3.21	(2.36)	3.27	(2.4)	2.8	June 7	2.05	-	6.75
Scottish National	6 mths to Mar 31	72.9	(76.7♦)	6.39	(5.92)	4	(3.71)	1.79	July 6	1.6	-	7.7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ₤Irish currency. §USM stock. ★Comparatives restated. фAim stock. ♦At September 30. #Second interim.

NatWest postpones buy-back decision

National Westminster Bank yesterday indicated that no decision was likely soon on whether to use some of the proceeds from the $3.56bn sale of Bancorp, its US retail banking subsidiary to buy back its own shares, writes George Graham.

Lord Alexander, the bank's chairman, told shareholders at yesterday's annual meeting that any decision on a buy-back was "a long way in the future". It kept the option open yesterday when shareholders voted without dissent to authorise the company to buy back up to 100m shares, roughly 6 per cent of its capital.

Since its agreement to sell Bancorp to Fleet Financial, NatWest has spent £472m on buying the Gartmore fund management business, and has been eyeing other targets in sectors such as life assurance.

COMPANIES AND FINANCE: UK

Checking into the UK hotels sector

Mr Kwek Leng Beng, head of Hong Leong, is delighted with the successful flotation of the Millennium & Copthorne chain, writes David Blackwell

Malcolm Watson

Kwek Leng Beng at The Gloucester, London: he admits to being interested in cherry-picking some of Granada's Méridien chain

It is important not to become emotional about hotels, believes Mr Kwek Leng Beng, head of the Singaporean-based Hong Leong group and one of the world's wealthiest men.

Nevertheless, he was clearly delighted last Friday with the successful flotation of the 23 Millennium & Copthorne Hotels at a valuation of more than £400m. It is little more than six months since his CDL Hotels International paid just I£220m (£227m) for the 17 hotels in the Copthorne chain.

Mr Kwek, 55, who is shy of the press, is the son of the founder of the Hong Leong empire, Mr Kwek Hong Png, who died at the end of 1994. Hong Leong, which means "bountiful harvest", separated into two companies 30 years ago – Hong Leong (Malaysia) is chaired by Mr Quek Leng Chan, Mr Kwek's cousin.

Mr Kwek has put his latest venture together rapidly despite being a newcomer to the UK hotel scene. But the roots of his interest in hotels stretch back to 1970, when the business grew naturally out of Hong Leong's property interests.

The group started to keep some of the hotels it had developed as an investment and then decided to manage them.

Mr Kwek spoke of his growing conviction that hotels would become a "very important and big business in the next century". As people grow more affluent they travel a lot more, he said, adding that air fares had not increased in real terms for years.

At the same time the Singapore government was encouraging businesses to become more international. "The easiest and fastest way to go international is to go into hotels," he said. "The basic formula is the same whether you are in the UK, Singapore, or the US."

In 1989 CDL Hotels International was floated on the Hong Kong stock exchange with six hotels. CDL, which has retained 55 per cent of Millennium & Copthorne, expanded rapidly and now has a portfolio of 55 hotels and 14,500 rooms.

He has chosen to operate four-star hotels because of the higher margins. He also feels that companies are cutting back on costs to the detriment of the five-star sector.

His instinct is to buy hotels rather than build them – "the gestation period is too long". Once he has acquired hotels in the right market sector "all we need to do is get management to drive them and drive them hard".

A firm advocate of decentralisation, he believes each hotel should operate as an independent unit. Head office, which takes up 1.6 per cent of turnover, is limited to international marketing, training, cost control and guidance on specialisation.

He has decided to operate in three regions in the belief that investors will be more willing to back a regional rather than a global business. The London listing, which incorporates the US and European operations, is the last – the Australasian division is listed in New Zealand.

"There has to be a profit centre. If our head office was in London or Singapore, a lot of executive time would be spent in a plane," said Mr Kwek, who urges his regional managers to compete against their peers.

Millennium & Copthorne was described last week by one analyst as a ragbag of hotels slung together over a period of six months. It has three New York hotels – including a 42 per cent holding in the Plaza – three London hotels and the provincial Copthorne chain which Aer Lingus took some time to sell. Some are managed by outside hotel groups such as Hilton International and Accor.

Mr Kwek rejects the suggestion that the hotels' only common characteristic is that they were bought cheaply. He argues that CDL's continuing 55 per cent interest shows that it is a long-term investor – "If I reduce my percentage you will say I am getting out".

His emphasis on the core nature of the hotel business to his plans has led to speculation about the size of his ambitions. Last month he took part in a dawn raid on Brierley Investments, the New Zealand group that owns 70 per cent of Thistle Hotels.

Thistle is the second largest UK hotel group after Granada, which at the beginning of this year took over Forte. Mr Robert Peel, its founder, said last month that he had no knowledge of any plans for a flotation following widespread speculation that the group would be spun off this year.

Mr Kwek's Hong Leong (Singapore) is part of a consortium of four known as Delham Investments, which includes Hong Leong (Malaysia). The dawn raid netted 20 per cent of Brierley, but Mr Kwek rejects any suggestion that the consortium will push for a Thistle flotation.

"My cousin is interested in expanding in that part of the world," he said. However, he admits that his group is the only part of Delham with hotel experience. "So we can come in useful," he said, adding: "We have a ringside seat in case they want to get out."

Further acquisitions by Millennium & Copthorne have not been ruled out. The timing of the flotation has been almost perfect – hotel stocks are soaring following a strong trading statement from Stakis, Granada's announcement of 15 per cent price rises at its London hotels, Thistle's 50 per cent rise in 1995 profits, and the premium of almost 50 per cent in shares in Macdonald Hotels, floated last month.

Mr Kwek admits to an interest in cherry-picking some of Granada's Méridien chain, which is up for sale. However, "we are not prepared to pay top prices – hoteliers should not be emotional".

LEGAL NOTICES

INSOLVENCY ACT 1986

COMPUTER REMARKETING AGENTS LIMITED

t/a CRA LTD

(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48 of the Insolvency Act 1986 that a Meeting of the unsecured Creditors of the above named Company will be held at Coopers & Lybrand, Bedewell House, 9 Greyfriars Road, Reading, Berks RG1 1JG on Friday 10 May 1996 at 10.00am, for the purposes mentioned in Section 48 and 49 of the said Act.

[illegible]

Dated April 18 1996

JOHN MARTIN IREDALE and STEPHEN PAUL HOLGATE

Joint Administrative Receivers

NOTE Creditors of the Company requiring copies of the Joint Administrative Receivers' report may obtain it free of charge, on written application to the Joint Administrative Receivers at Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

KALVAR MICROFILM, INC., ANACOMP, INC., ANACOMP INTERNATIONAL N.V., FLORIDA A A C CORPORATION and XIDEX DEVELOPMENT COMPANY,

Debtors.

Kalvar Microfilm, Inc. - Tax I.D. 435-1579400
Anacomp, Inc. - Tax I.D. 435-1144230
Florida A A C Corporation - Tax I.D. 659-2218963
Xidex Development Company - Tax I.D. [illegible]

Chapter 11

Case No. 96-15 (HSB)

Jointly Administered

NOTICE OF AVAILABILITY OF VOTING PACKAGES AND OF HEARING TO CONSIDER CONFIRMATION OF DEBTORS' SECOND AMENDED JOINT PLAN OF REORGANIZATION

TO THE HOLDERS OF 9% CONVERTIBLE SUBORDINATED DEBENTURES OF ANACOMP INTERNATIONAL N.V.:

You are hereby notified that by order (the "Order") dated March 28, 1996, the United States Bankruptcy Court for the District of Delaware (the "Court") has approved the Debtors' Disclosure Statement Pursuant to Section 1125 of Title 11 of the Bankruptcy Code For The Second Amended Joint Plan Of Reorganization Of Anacomp, Inc. And Certain Of Its Subsidiaries (the "Disclosure Statement") as containing "adequate information" as that term is defined in Section 1125 of the Bankruptcy Code with *respect to Debtors' Second Amended Joint Plan of Reorganization (the "Plan"). The Order fixes May 8,* 1996 at 4:30 p.m., Eastern Daylight Time, as the deadline for receipt by Logan & Company, Inc., the Debtors' Ballot Agent, of ballots accepting or rejecting the Plan.

The hearing on confirmation of the Plan will be held at the United States Bankruptcy Court, 824 Market Street, 6th Floor, Wilmington, Delaware on May 17, 1996 at 10:00 a. m. (Eastern Daylight Time). Objections to confirmation of the Plan must be in writing, must be in conformity with all applicable provisions of the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, must state with particularity the legal and factual basis for the objections and must be filed with the Court and served upon, so as to be received by, (i) the Debtors' undersigned counsel, (ii) counsel to the Official Committee of Unsecured Creditors, Daniel H. Golden, Esq., Stroock Stroock & Lavan, 7 Hanover Square, New York, New York 10004; (iii) the Office of the United States Trustee, John D. McLaughlin, Esq., 601 Walnut Street, Curtis Center, Suite 950 West, Philadelphia, Pennsylvania 19106; (iv) Marcia L. Goldstein, Esq., Weil, Gotshal & Manges, 767 Fifth Avenue, New York, New York 10153, counsel for the holders of the Old Credit Facilities Secured Claims; and (v) Douglas Davis Esq., Milbank, Tweed, Hadley & McCloy, 1 Chase Manhattan Plaza, New York, New York 10005 counsel for the holders of the Old Senior Notes Secured Claims, on or before May 8, 1996 at 4:30 p.m. (Eastern Daylight Time). Only those objections that are timely filed and received will be considered by the Court.

Holders of 9% Convertible Subordinated Debentures of Anacomp International N.V. may obtain a *copy of the Disclosure Statement, the Plan, the applicable ballots and certain related documents upon presentation of their original debentures at one of the following locations:*

Cedel S. A.
67 Bd Grande Duchesse Charlotte
L-1010 Luxembourg
011-352-4499 2210

Euroclear
c/o Morgan Guaranty Trust Company of New York
Boulevard E Jacqmain 151
B-1210 Brussels Belgium
011-322-224-2613

Dated: March 28, 1996

CADWALADER, WICKERSHAM & TAFT
Barry J. Dichter
100 Maiden Lane
New York, New York 10038
(212) 504-6000

YOUNG, CONAWAY, STARGATT & TAYLOR
Laura Davis Jones (No. 2436)
11th Floor-Rodney Square North
P.O. Box 391
Wilmington, Delaware 19899-0391
(302) 571-6642

BUSINESSES FOR SALE

ÁPV RT

HUNGARIAN PRIVATISATION AND STATE HOLDING COMPANY

INVITATION TO TENDER

1. The Hungarian Privatisation and State Holding Co. (hereafter the Announcer or ÁPV Rt.)/Budapest 1133, Újpesti rakpart 31-33/announces a public, one-round tender for financial advisory assistance with regard to the sale of the state owned shares of Antenna Hungaria Rt. (hereafter: Company), 1119 Budapest, Petzval József u. 31-33. Mail address: Budapest POB 447, 1519.
   The registered capital of the Company: 7,849,300.000 HUF
   Owners equity: 11,048,588,000 HUF
   Division of the shares according to owners:
   • ÁPV Rt. 83,20%
   • With the Company 5,43%
   • Local Government 3,50%
   • Worker's ownership 0,00%
   • Other Hungarian members 7,87%
2. Tenders should be submitted in Hungarian language in five copies in a closed envelope without a letterhead at the given address. Foreign tenderer may submit the tender also in English or German language but in this case the copy in Hungarian language is authoritative.
   Tenders should be submitted in person or by a representative, in the presence of a notary public before the deadline of submission. The following should be written on the envelope:
   "PÁLYÁZAT Antenna Hungaria Rt."
3. The tenderer is obliged to mark the original copy with the following heading: "EREDETI". If the tenderer fails to do so, then the Announcer will choose one from the copies which will be regarded as the original. If there are differences among the copies, the content of the marked original tender is authoritative.
4. Deadline of submitting the tender: the **Wednesday following the 15th day after the publication** *until 12-14 hours*
   Place of submitting the tender: in the offices of the ÁPV Rt.
   1133, Budapest, Újpesti rakpart 31-33.
   Further conditions and terms of the participation are contained in the detailed tender announcement.
5. The undertaken tender constraint for 90 (ninety) days following the deadline of submitting the tender is the condition of participation.
6. Following the appraisal the final decision is made by the Announcer. The Announcer reserves the right to declare the tender void.
7. The detailed tender announcement is an inseparable part of this invitation to tender. It is the condition of the submitting of tenders to purchase the material containing the detailed tender announcement for **25.000 HUF** (20.000 HUF + VAT).
8. *Following the announcement of tender information on the major data and characteristics of the* Company may be obtained from:
   László Lovász, portfolio manager, ÁPV Rt. 1133 Budapest,
   Újpesti rakpart 31-33, tel: (36-1) 269-8600

COMPANY NOTICES

NOTICE OF MEETING

Notice of Meeting of Noteholders of KIME FAR EAST FUND PLC

Notice is hereby given to the Noteholders that a meeting of Noteholders will be held at 9.00 a.m. on Friday 17th May, 1996 at Ulster Bank Group Centre, George's Quay, Dublin 2, Ireland for the purpose of sanctioning by extraordinary resolution proposed amendments to the Investment Restrictions and Borrowing Powers of KIME FAR EAST FUND PLC

By Order of the Board
I. Fitzpatrick, Director
15th April, 1996

Notes may be deposited with (or to the order of) Shinhan Finance Ltd., Hong Kong for the purpose of obtaining voting certificates or appointing proxies until forty eight hours before the time fixed for the meeting but not thereafter.

ARTAL GROUP S.A.

39, Boulevard Royal, L-2449 Luxembourg — R.C. Luxembourg B 44.470

The Annual General Meeting of Shareholders of ARTAL GROUP S.A., will be held at the HOTEL "LE ROYAL", 12, Boulevard Royal, L-2449 LUXEMBOURG, on

Saturday May 11th, 1996 at 3.00 p.m.

in order to discuss the following matters:

AGENDA

1. Report of the Board of Directors
2. Report of the Independent Auditor
3. Approval of the Annual Accounts as at December 31st, 1995
4. Allocation of Results as at December 31st, 1995
5. Discharge to the Directors and to the Statutory Auditors
6. Statutory elections
7. Any other matters

Holders of bearer share certificates have to deposit their shares no later than May 6th, 1996 at Banque de Luxembourg S.A. or at any other recognized bank.

The Board of Directors

LORRAINE INVESTMENTS LUXEMBOURG S.A.

39, Boulevard Royal, L-2449 Luxembourg — R.C Luxembourg B 47.798

The Annual General Meeting of Shareholders of LORRAINE INVESTMENTS LUXEMBOURG S.A., will be held at the HOTEL "LE ROYAL", 12, Boulevard Royal, L-2449 LUXEMBOURG, on

Saturday May 11th, 1996 at 2.00 p.m.

in order to discuss the following matters:

AGENDA

1. Report of the Board of Directors
2. Report of the Independent Auditor
3. Approval of the Annual Accounts as at December 31st, 1995
4. Allocation of Results as at December 31st, 1995
5. Discharge to the Directors and to the Statutory Auditors
6. Statutory elections
7. Any other matters

Holders of bearer share certificates have to deposit their shares no later than May 6th, 1996 at Banque de Luxembourg S.A. or at any other recognized bank.

The Board of Directors

COMMODITIES AND AGRICULTURE

US crop damage drives grain prices to new high

By Alison Maitland

Grain futures prices surged to fresh highs in Chicago yesterday as damage to the US winter wheat crop continued to fuel fears of a shortage.

The July wheat contract rose 25 cents in early trading to $6.19½ a bushel after the exchange increased the daily trading limit to 30 cents.

It ran into some profit-taking but still closed up 21 cents at $6.15½.

The expansion in daily limits came after prices rose by the previous 20-cent upward limit on Monday.

The futures contract has leapt by $1 in the past five days – and nearly $2 over the past month – amid growing signs that the wheat crop has been badly damaged by adverse weather.

The US Department of Agriculture said on Monday that 45 per cent of the winter wheat crop was "poor to very poor", compared with 43 per cent a week ago.

"The trade has reduced its expectations of the new crop supply by about 7m-8m tonnes, or about 10-12 per cent, in the last 15 to 20 days," said Mr Warren King, an analyst with Chicago Investor Services.

The sharp rise was shared yesterday by maize futures, where the July contract climbed 10¼ cents to a new contract closing high of $4.60 a bushel.

Maize futures have risen by about 50 cents in the past five days and 95 cents in the past month.

The rally in maize is being driven by strong demand for the grain – used mainly in animal feed – at a time when the US is carrying over the lowest stocks on record from last year.

The surge in grain prices comes against a background of exceptionally tight world supplies, which have driven prices upwards since the middle of last year.

World wheat stocks are at a 20-year low of about 94m tonnes, according to the International Grains Council.

US hard red winter wheat prices have climbed from $180 a tonne last July to about $240 a tonne.

Wheat in the US has been hit by strong winds, frost and then damage when plants collapsed into broken ground during the thaw.

These problems have now been followed by very dry, unseasonally warm weather, when rain is badly needed.

"Weather remains the main feature of the market, with rainfall becoming especially critical to the southern Plains crops," said Mr Lawrence Eagles, analyst with UK-based brokers GNI.

There is speculation that US farmers will pull up as much as 5m acres of damaged wheat and replace it with maize, which yields more per hectare at a time when set-aside production controls have been lifted.

European grain prices have also been rising sharply. Livestock feed manufacturers have been switching from expensive alternatives such as maize gluten and tapioca, also subject to world shortages, and bread millers are also facing shortages.

Mr Richard Whitlock, a UK grain trader, said UK feed wheat had climbed by about £10 in the past month to £130 a tonne.

"If you're wrong in this market, you're wrong for a big amount of money," he said.

Head start among Canadians in Cuba

Pascal Fletcher on how Northern Orion Explorations's mining plans are shaping up

Vancouver-based Northern Orion Explorations, one of half a dozen Canadian companies prospecting for gold, silver and base metals in Cuba, plans to be the first to go into production with the expected start-up of a gold-copper mine in the first quarter of 1997.

"We will produce gold for two years and then copper," said Mr Jorge Nicanovich, the company's representative in Cuba. Earth moving at the Hierro Mantua project in western Cuba, in which Northern Orion has a 50 per cent interest, was projected to start this month followed by construction of the mine facilities.

Northern Orion, a 53 per cent-owned subsidiary of Miramar Mining Corporation, also has a 50 per cent interest in a gold-silver project in Cuba, Delita, on the Isle of Youth. The Delita property is Cuba's largest known gold deposit.

A feasibility study for the Delita project would be completed by the third quarter of this year. "If the partners decide that it is feasible, which it will be, then we will go ahead. I reckon Delita will be a 1998 start-up," Mr Nicanovich said.

Miramar Mining already operates a gold mine in Canada, the Con Mine in the Northwest Territories. It has a 60 per cent joint venture interest in a small gold-silver mine in the US, the Golden Eagle Mine in Nevada, and is also developing a wholly owned venture, the Talapoosa gold-silver project in the same state.

In 1995, Miramar sold its interests in its two Cuba projects to Northern Orion, effectively turning its subsidiary into a vehicle for exploration and development in Latin America.

> **The company says it knows of no claims that its concessions are confiscated US properties affected by the embargo**

Besides Cuba, Northern Orion also has interests in more than 30 mineral properties in Argentina, including at least three advanced projects. One of these, the Agua Rica copper-gold deposit in which the company has a 30 per cent share, is being developed in a joint venture with BHP Minerals and is seen to have major potential.

Northern Orion's partner in both its Cuban projects is the state mining company Geominera SA, which has established exploration and development agreements with more than 10 foreign mining companies, the majority of them Canadian. These include KWG Resources, MacDonald Mines Exploration, Bolivar Goldfields and Joutel Resources among others.

Companies from Canada were the first to take advantage of the Cuban government's decision after 1990 to open its mining sector, including nickel, to foreign participation. Along with tourism, mining has been the most dynamic sectors in terms of foreign investor interest.

Like all Canadian companies operating in Cuba, Miramar is sensitive to new US legislation introduced on March 12 which tightens the longstanding US economic embargo against Cuba. The latest measures threaten to penalise foreign companies and their executives judged to be "trafficking" in expropriated, formerly US-owned property in Cuba.

But Miramar and its subsidiaries do not expect to be affected by this legislation. The company says it knows of no claims alleging that the concessions are confiscated properties.

The Hierro Mantua site, situated 240km west of Havana in Pinar del Rio Province, consists of a high grade secondary enriched copper deposit with an overlying gold-bearing gossan cap.

A final feasibility study carried out by Davy International of Toronto projects a two-year first phase of open pit mining to extract 2m tonnes of ore grading 1.84 grams of gold per tonne. Heap leaching will recover an estimated 80,800 ounces of gold.

> **The existence of extensive geological information on the Mantua and Delita properties were an advantage**

The eight-year second phase, also using open pit methods, aims to extract 6.2m tonnes of ore grading 2.8 per cent copper and 5.2m tonnes grading 0.53 per cent. This will recover 146,800 tonnes of cathodic copper from the primary ore and an additional 19,700 tonnes of cathodic copper from the low-grade ore.

Capital costs for the operation are estimated at $75m, $23m for the gold phase and $53m for the copper.

The second project, the Delita deposit on the Isle of Youth, 85km south of the main island of Cuba, is estimated to contain resources of 1.75m ounces of gold and nearly 14m ounces of silver.

Mr Nicanovich said a preliminary feasibility study, also carried out by Davy International, projected production of about 100,000 ounces of gold a year and 560,000 ounces of silver a year.

Northern Orion was continuing to explore 500sq km concessions around both the Delita and Mantua sites and the indications, especially at Delita, were encouraging.

The existence of extensive available geological information on both the Mantua and Delita properties gave Northern Orion a head-start over other Canadian companies working in Cuba, which were almost all still at the exploration stage.

The Mantua copper deposit had been heavily drilled by the Cubans from 1963 to 1985 and Delita was an existing mine, but had not operated for some years.

Cuba already has one small gold mine in operation, at Castellanos in Pinar del Rio. This wholly Cuban-run facility produced around 200kg of gold in 1995 and this was expected to increase to 300kg in 1996, according to Cuban figures.

Brazilian frosts prospect sends coffee futures racing upwards

By Alison Maitland

Early excitement about the prospect of frosts in Brazil sent coffee futures prices racing upwards in London yesterday.

The rise followed a 10 per cent jump to seven-month highs in New York arabica futures on Monday night.

Fund buying helped fuel the rally in London, which saw the second position robusta futures contract close $161 higher at $2,019, or 8.6 per cent. During the day it had hit a peak of $2,040, the highest level since November.

"The market is always going to be jumpy at this time of year, with the frost season approaching," said one London-based trader.

"But the earliest recorded frost in Brazil was at the end of May, so it's a bit premature."

New York futures turned down in afternoon trading, with the July position off 4.05 cents at 126.90 cents a pound.

London retreated from its intra-day high yesterday as sales of physical coffee were offered into the market.

Coffee futures prices are being supported by very low consumer stocks – now down to 15-year lows of about 8m bags.

"Any threat to supply is that much more immediate," said the trader.

US certified stocks were drawn down sharply last week by 22,336 bags to 97,984 bags.

Coffee appears to be attracting some of the money moving into commodity markets on the grounds they have potential to move while other financial instruments offer less attractive returns, according to analysts and traders.

Romania invites tenders for oil and gas exploration

By Virginia Marsh in Budapest

Romania, central Europe's only significant oil producer, yesterday launched an international tender for exploration and production rights on 15 new blocks.

Shell, the Anglo-Dutch group, and Enterprise Oil of the UK, both of which already have exploration operations in Romania, are among several major western oil companies that have expressed an interest in bidding.

At a conference in Bucharest, the country's National Agency for Mineral Resources said companies had until October 31 to enter bids for up to five years exploration rights with the possibility of a further 25 years for production in the event of a commercial find.

Fourteen of the blocks are onshore with the fifteenth offshore on the Black Sea continental shelf. Acreage of the blocks ranges from 500 to 2,000 square kilometres.

The three day conference is being attended by more than 80 local and international oil companies and the agency said interest in the blocks had exceeded expectations.

The tender is the first to be organised since the agency was created last year and a much-delayed new petroleum law took effect in March.

In 1992 Shell and Amoco of the US each won an onshore block and a consortium led by Enterprise won two offshore blocks in the country's only other major licensing round since the end of communism.

Exploratory drilling has begun on all four blocks after promising seismic tests.

Romania was one of the first countries in the world to produce oil and gas commercially but reserves were over-exploited in the communist era.

Crude oil production was 6.7m tonnes last year, down from peaks of 14m tonnes in the 1970s, and enough to cover nearly half of domestic demand.

Gas output, which has also slumped, was 18.2bn cubic metres in 1995, when the country imported. Imports were 5.9 bn cubic metres.

Western oil companies have described the new law as workable but vague and said yesterday the proposed tender contracts had clarified some but not all issues. The 1992 contracts included production sharing agreements but the new law also enables oil operators to negotiate royalties with the agency.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-6,245	to 910,800
Aluminium alloy	+840	to 83,640
Copper	-1,100	to 301,985
Lead	-175	to 89,750
Nickel	+684	to 35,052
Zinc	-2,550	to 622,725
Tin	-60	to 8,720

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1573-4	1607-8
Previous	1558-9	1591.5-2.5
High/low	1576	1612/1600
AM Official	1575-5.5	1608-9
Kerb close		1607-8
Open int.	211,282	
Total daily turnover	49,242	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1330-35	1365-70
Previous	1315-25	1355-65
High/low		1380/1375
AM Official	1325-35	1365-75
Kerb close		1365-70
Open int.	5,041	
Total daily turnover	2,694	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	820-2	813-4
Previous	817-8	808-8.5
High/low	826/825.5	816/811
AM Official	825.5-6.0	815-6
Kerb close		810-11
Open int.	37,094	
Total daily turnover	4,120	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8030-40	8125-35
Previous	7980-90	8080-85
High/low		8200/8130
AM Official	8105-10	8195-200
Kerb close		8120-30
Open int.	37,884	
Total daily turnover	10,067	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6610-20	6630-35
Previous	6530-40	6540-50
High/low		6650/6580
AM Official	6600-10	6620-25
Kerb close		6625-30
Open int.	16,822	
Total daily turnover	4,299	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1040-1	1066-6.5
Previous	1033.5-4.5	1059-60
High/low		1062/1060
AM Official	1042-2.5	1067-7.5
Kerb close		1066-7
Open int.	72,498	
Total daily turnover	19,524	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2680-2	2604-5
Previous	2663.5-5.5	2593-4
High/low		2611/2600
AM Official	2692-5	2610-11
Kerb close		2604-5
Open int.	171,249	
Total daily turnover	58,818	

■ LME AM Official £/$ rate: 1.5123
LME Closing £/$ rate: 1.5170

Spot: 1.5158 3 mths: 1.5138 6 mths: 1.5120 9 mths: 1.5100

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	123.25	-0.45	123.70	123.10	362	1,540
May	121.70	-1.05	123.20	121.60	3,572	16,250
Jun	120.60	-0.65	121.70	120.60	183	1,274
Jul	119.50	-0.65	120.60	119.30	3,651	16,174
Aug	118.30	-0.70	118.60	118.60	4	565
Sep	117.20	-0.75	118.30	117.00	451	3,885
Total					8,593	49,410

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	391.50-391.90		
Opening	391.40-391.80		
Morning fix	391.45	259.067	481.170
Afternoon fix	391.75	258.444	480.325
Day's High	392.20-392.60		
Day's Low	391.30-391.70		
Previous close	391.60-391.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.05	6 months	3.72
2 months	3.99	12 months	3.87
3 months	3.93		

Silver Fix	p/troy oz.	US cts equiv.
Spot	352.25	532.75
3 months	356.70	539.80
6 months	361.25	545.05
1 year	370.75	557.60
Gold Coins	$ price	£ equiv.
Krugerrand	391-394	258-260
Maple Leaf	402.75-405.25	-
New Sovereign	91-94	60-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	391.3	-0.2	393.2	391.4	25	47
Jun	393.4	-0.2	394.5	393.2	18,875	102,127
Aug	395.7	-0.2	396.5	395.7	190	20,637
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	134.60	+1.75	136.00	134.00	221	1,007
Jul	136.15	+1.20	136.10	136.25	246	1,639
Sep	119.75	+1.35	120.95	120.00	84	795
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

	Close	Prev
BFI	1484	1482

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1038	+3	1019	1005	589	8,347
Jul	1029	+8	1045	1028	2,727	28,146
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Apr 23	Price	Prev. day
Daily	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

Apr 22	Price	Prev. day
Comp. daily	110.70	105.62
15 day average	108.11	104.77

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

MINOR METALS
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 3,300-3,500 (3,400-3,600). Bismuth: min. 99.99%, tonne lots 3.60-4.00. Cadmium: min. 99.95%, 135-155 cents a pound. Cobalt: MB free market, 99.8%, 26.50-29.10 (26.30-29.00); 99.3%, 27.05-27.65 (26.50-27.50). Mercury: min. 99.99%, $ per 76 lb flask, 172-180 (172-182). Molybdenum: drummed molybdic oxide, 3.50-3.90. Selenium: min 99.5%, 3.45-4.00. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 52-62. Vanadium: min. 98%, cif, 2.80-3.10. Uranium: Nuexco exchange value, 13.50.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 23	Apr 22	month ago	year ago
2141.4	2115.6	2133.5	2331.2

■ CRB Futures (Base: 1967=100)

Apr 22	Apr 19	month ago	year ago
261.74	257.62	252.44	na

■ GSCI Spot (Base: 1970=100)

Apr 22	Apr 19	month ago	year ago
212.38	209.16	207.95	184.90

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	58.550	-1.500	59.300	58.550	849	607
Jun	57.375	-1.450	58.400	57.325	6,172	38,582
Aug	59.775	-0.925	60.500	59.700	8,774	24,415
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	49.000	-0.100	49.350	48.650	507	[illegible]
Dec	51.075	-	51.350	50.800	349	3,679
Total					[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	79.225	-0.950	81.000	78.800	1,332	4,301
Jul	78.575	-1.125	80.400	78.250	1,446	4,426
Aug	76.425	-0.275	77.750	76.250	204	1,516
Feb	74.950	+0.650	76.300	75.000	90	391
Mar	75.000	+2.000	75.000	75.000	1	12
May	76.000	+1.050	76.000	76.000	3	21
Total					3,080	10,467

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Sep	May	Sep
1500	82	147	-	22
1600	6	83	24	55
1700	-	41	117	111
■ COPPER (Grade A) LME	May	Sep	May	Sep
2500	164	106	-	58
2600	67	60	3	108
2700	8	30	43	175
■ COFFEE LCE	May	Jul	May	Jul
1850	-	-	-	-
1900	-	-	-	-
1950	-	-	-	-
■ COCOA LCE	May	Jul	May	Jul
875	159	175	1	2
900	135	161	2	3
925	111	134	4	6
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1850	-	-	20	-
1900	-	-	35	61
1950	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$18.00-8.10x	+0.87
Brent Blend (dated)	$20.87-0.93	+1.47
Brent Blend (June)	$20.17-0.18	+1.275
W.T.I.	$22.60-2.62x	+1.31
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$230-233	+10
Gas Oil	$179-181	+5
Heavy Fuel Oil	$112-114	+3
Naphtha	$193-195	-0.5
Jet fuel	$196-198	+5
Diesel	$179-181	+5
■ NATURAL GAS (Pence/therm)		
Bacton (May)	9.50-9.80	+0.025

Petroleum Argus. Tel. London (0171) 359 8792

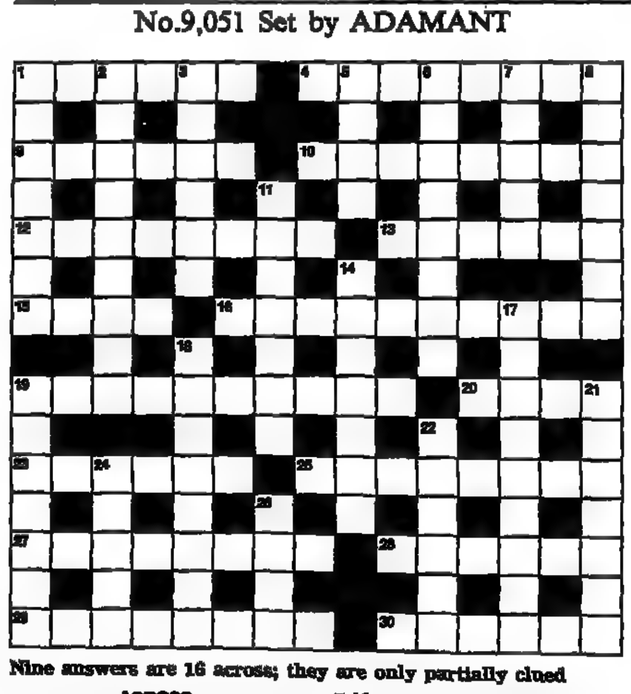
■ OTHER		
Gold (per troy oz)♣	$391.70	-0.05
Silver (per troy oz)♣	535.50c	+1.0
Platinum (per troy oz.)	$404.75	+0.50
Palladium (per troy oz.)	$134.90	+1.40
Copper	125.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	16.07r	-0.01
Tin (New York)	310.50	+3.0
Cattle (live weight)	108.54p	+7.54*
Sheep (live weight)	168.15p	-24.17*
Pigs (live weight)†	108.57p	+1.20*
Lon. day sugar (raw)	$289.70	
Lon. day sugar (wte)	$389.00	0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (May)♥	99.25p	+0.25
Rubber (Jun)♥	99.25p	+0.25
Rubber (KL RSS No1)	368.00m	+2.0
Coconut Oil (Phil)§	$915.0v	+20.0
Palm Oil (Malay.)§	$570.0v	5
Copra (Phil)§	$506.0v	
Soyabeans (US)	233.0v	
Cotton Outlook'A' index	92.35c	
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x June. v Apr/May. y Apr/Jun. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 552 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,051 Set by ADAMANT



Nine answers are 16 across; they are only partially clued

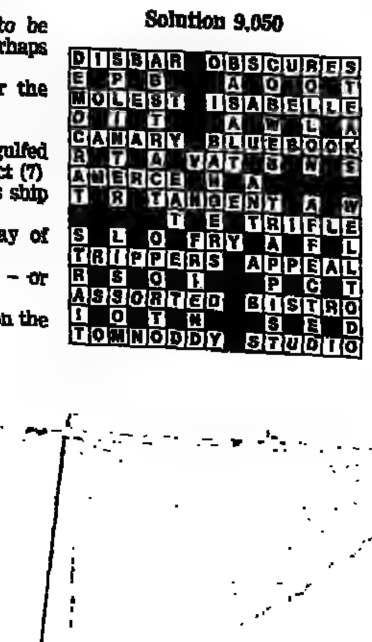
ACROSS

1 Fatty tumour on cheek – a doctor will come round (6)
4 A number chewed the bran with expression of disgust (8)
9 Point to correct (6)
10 Trying to deceive one new in the art of lionising (8)
12 They have no illusions when the rest sail away (8)
13 Bishop to manage the Spanish (6)
15 Run into fresh recession (4)
16 The rich set act out of character when they make plans (10)
19 Bring Luton to order (10)
20 Notice it's not yet midday (4)
23 File an amendment about metal (6)
25 Adding to a neat solution (8)
27 Boy in Italian horse race (8)
28 Enthusiast wanted to laze around (6)
29 Man with a tendency to be supporter of Stuart, perhaps (8)
30 Not coming back after the peace (6)

DOWN

1 Unlettered king was engulfed in deep display of respect (7)
2 A soldier on the queen's ship (9)
3 It's material to the way of working the locks (6)
5 Several votes in favour – or just one? (4)
6 Interest taken in speed on the riverside (4,4)
7 No one came back after a continental marriage (5)
8 Bargains on old woman having shaky legs (7)
11 Keeping a grand in reserve (7)
14 Over to a fashionable case which is in disarray (7)
17 The portion of fish (battered) left one cold (3,6)
18 Lightning struck Bella under a tree (8)
19 It can make sound contact with black jumper, we're told (7)
21 Overall not a real jewel of a heavyweight (7)
22 Classic word for a discovery (6)
24 Make a swift move about the Italian Oaks contender? (5)
26 Show disapproval of the man's society (4)

Solution 9,050



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INTERNATIONAL CAPITAL MARKETS

Italian prices show further outperformance

By Samer Iskandar in London and Lisa Bransten in New York

Italian bonds were once again the best performing sector, although their outperformance was much more modest than on Monday. Other European markets traded calmly in limited ranges, while US Treasuries weakened in anticipation of new supply.

Italian BTPs resumed their rise in early trading, but ran out of momentum halfway through the day. Liffe's June BTP future settled at 113.95, up 0.28, after reaching new highs at 114.54.

In the cash market, the 10-year benchmark rose by ⅛ to 98.76. The yield spread over bunds, which had tightened by 30 basis points Monday, narrowed by another 8 points to 355 points.

Market participants were divided over the possibility of further outperformance by BTPs. Analysts at Bear Stearns revised their projections for the 10-year spread between BTPs and bunds downwards. They now expect the spread to tighten to 325 basis points within three months (compared with their previous forecast of 350 points), and to 275 points before the year-end. Given this week's unexpectedly strong performance, they do not rule out the possibility that "even these projections could prove too conservative".

Traders at a large continental European bank, however, believe the Italian bond "rally has run its course ... [and] are recommending that clients take their profits".

■ French OATs closed higher for the fourth consecutive session. Early attempts to reach new highs ran out of steam by midday and Matif's June notional contract closed at 123.26, up 0.10.

In the cash market, the 7¼ per cent OAT due 2006 rose by 0.03 to 106.03, narrowing the yield spread over bunds by one basis point to 7 points. Profit-taking maintained the futures price in a range of 123–123.5, but market sentiment remained positive.

GOVERNMENT BONDS

One trader said the session had helped "fill a technical gap", and he expected the June future to gather enough momentum in coming days to "test its contract high of 123.78". Another trader said "cash market-related [hedging] activity must have had a restraining effect", referring to the launch of a FFr4bn eurobond by Portugal.

During the placement of new bond issues, lead managers often sell futures contracts or government bonds to hedge their holdings, in case the market falls before they have managed to sell the total amount of the new issue.

■ German bunds traded in a narrow range and finished the day barely changed. On Liffe, the June bund future settled at 97.08, down 0.03, while in the cash market the 6 per cent bund due 2006 rose 0.08 to 97.58. Due to weakness in the US market, the annualised yield spread of 10-year Treasuries over bunds continued to widen, reaching almost 30 basis points in late European trading.

■ UK gilts traded sideways ahead of today's auction of £3bn of 10-year paper. Liffe's June long gilt future settled at 106⅝, down 1/32. However, traders expect the market to start performing better once the new supply is out of the way.

Analysts at Bridgewater Associates, a US-based global bond and currency management firm, predict a fall of one full percentage point in 10-year gilt yields "within six months to one year".

Mr Robert Prince, director of research and trading, believes real 10-year yields of 4.80 per cent on an annualised basis "are historically high, compared with a long-term average of around 2.50 per cent".

■ US Treasury prices gave up some of the gains of the past two sessions as traders prepared for an afternoon auction of $18.75bn in two-year notes.

Near midday, the benchmark 30-year Treasury was 11/32 lower at 90⅛ to yield 6.777 per cent and the two-year note was down 1/16 at 100-5/16, yielding 5.934 per cent. At noon, the June Treasury bond future had fallen ⅜ at 110¼.

Commodity prices were lower in early trading, with Knight Ridder's commodity index falling 0.69 at 265.56. But that was not enough to encourage investors looking at a large amount of new supply set to come in the afternoon and a second auction of $12.5bn in five-year notes today.

There was little immediate reaction to news that the US trade deficit shrank to $8.2bn in February, less than the $8.8bn analysts had expected.

Economists at James Capel said the narrower trade deficit might add 0.25 to 0.50 percentage points to first-quarter gross domestic product, but expected the trade deficit to widen again in March and April as oil imports rose and aircraft exports fell.

Electricity sector galvanises banks

By Antonia Sharpe

Leading banks in the syndicated loans market are finding themselves pitted against each other as takeover activity in the UK's electricity sector intensifies.

"An interesting tussle is emerging between the different sets of banks," said one banker this week.

SYNDICATED LOANS

BZW, Chase, NatWest and UBS have jointly arranged and underwritten a £2.2bn three-year facility to fund National Power's agreed £2.5bn ($3.77bn) cash offer for Southern Electric, the UK regional supplier and distributor.

The loan, signed in the early hours of Monday morning, the day the bid was announced, carries a margin of ⅛ over London interbank offered rate.

The strong relationship between National Power and these four banks has effectively ruled them out of a seven-bank consortium which has been formed to bankroll a possible hostile bid by Southern Company, the Atlanta-based utility, for National Power.

The seven banks which are putting up the £8bn required to buy National Power are SBC Warburg (which arranged the initial financing for Southern Company's purchase of Sweb last year), Bank of America, Credit Suisse, IBJ, Midland, NationsBank and Toronto-Dominion.

The complex Southern-National Power-Southern Electric scenario is forcing banks to choose between banks in order to avoid conflicts of interest. Since they are used to dealing with such issues behind the scenes, they are clearly uncomfortable about having to make their preferences public. However, if Southern's loan financing goes to general syndication while the bid is still hostile, banks will be forced to reveal which client they are backing.

Although the electricity bids are the focus of attention, activity in the syndicated loans market remains buoyant and diverse. Credit Suisse has started to syndicate the senior debt portion of the financing for Newsquest Media, the management buy-out company which last November acquired the regional newspaper business of Reed Elsevier, the Anglo-Dutch publishing group.

The senior debt is divided into a £75m eight-year term loan and a £90m six-year revolving credit, both of which carry an initial margin over Libor of 2 per cent. Credit Suisse funded the MBO but deferred syndication until a £127m subordinated bond issue in the US junk bond market had been completed.

Bankers involved in the transaction said the fact that Newsquest was the first purchase in Europe by KKR, the US leveraged buy-out specialist, was prompting a favourable response from the small group of banks invited to participate in the loan.

Elsewhere, Chase and Citibank have launched the $500m five-year facility for the Czech Republic's SPT Telecom. The loan, the largest yet for the eastern European country, carries a margin of ¼ over Libor.

Among other facilities already in general syndication, the I£100m five-year deal for Irish Permanent is expected to be increased to at least I£150m because of the heavy over-subscription. The £300m facility for Arjo Wiggins has also closed oversubscribed.

The $350m seven-year facility for the City of Stockholm is also over-subscribed but remains open at the request of two banks interested in participating in the loan. The loan is set to be increased to at least $300m.

Portugal raises French francs

By Conner Middelmann

The eurobond market was swamped by a flood of new issuance yesterday, with most activity concentrated in the US dollar sector.

However, other currencies were also active, notably the French franc market, which saw the successful return of the Republic of Portugal with a FFr4bn issue of 12-year bonds – the second-largest sovereign deal in the French franc sector.

The paper was priced to yield 22 basis points over French government bonds, very close to the yield on the 10-year global bonds Portugal issued last year, whose strong performance saw their yield spread fall from 33 basis points at launch to 21 basis points yesterday.

According to joint leads Crédit Commercial de France and SBC Warburg, the new deal saw enthusiastic buying from French institutions – especially insurance companies – which took about 70 per cent of the deal, with the rest placed around Europe.

"We saw some switching from Spain's bonds due 2008, Portugal's global bonds and [French government bonds]," said an official.

INTERNATIONAL BONDS

In the dollar sector, a $150m subordinated FRN for Robert Fleming Capital was the first such offering since the collapse of Barings, whose default on its subordinated bonds left many investors shaken.

"This issue lays the ghost of Barings to rest," said one trader. "People feel that UK banks and the Bank of England have done their housekeeping exercises, and feel more confident in the UK merchant banking sector."

Book-runner HSBC Markets reported strong sales to Asia and the Middle East where "Flemings has very high name recognition" and said the deal was sold out.

The US Federal National Mortgage Association launched a $1bn five-year bullet issue, to be priced today at a spread of 16 basis points over Treasuries.

Joint leads Goldman Sachs and Lehman Brothers reported strong international demand, spurred by the fact that "this will be the first five-year benchmark for a while, and its size indicates that it will stay liquid".

The asset-backed sector was also busy: Discover, a leading US credit card group, launched the longest-ever asset-backed FRN, $1bn of 15-year paper backed by credit card receivables, via Dean Witter.

Beneficial Home Equity Loan Trust of the US issued a further $1.2bn of bonds, collateralised by home equity loans, via Morgan Stanley, and AT&T Universal Master Trust issued $930m of asset-backed bonds via J.P. Morgan.

In the D-Mark sector, the European Investment Bank appointed Dresdner Bank and Merrill Lynch to lead a new benchmark bond of DM1bn or more this week; market talk was of a five-year maturity and a spread over bunds in the high teens.

Also in the pipeline is a debut bond, likely today, for Czech Komercni Banka via CS First Boston. The deal is seen totalling $200m to $250m with a five-year maturity; spread talk was of 80 to 85 basis points over Treasuries.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Fed Nat Mortgage Assoc.#	1bn	(a)	(a)	May 2001	0.25	+16(6⅝%-01)	Goldman Sachs/Lehman
Discover Series 96/4‡	1bn	(b)	100.00	Apr 2011	0.50	-	Dean Witter
Norddeutsche Landesbank	200	6.25	99.80R	Dec 1999	0.20R	+18(5⅝%-99)	HSBC Markets
Guinness	200	6.38	99.95R	Dec 1999	0.2R	+25(5⅝%-99)	CSFB
Robert Fleming Capital‡	150	(c)	99.80R	May 2006	0.5R	-	HSBC Markets
Inter-American Dev Bank☞	150	5.80	99.98	May 1999	1.00	-	Kankaku (Europe)/OKB
Banque Indosuez‡	150	(d)	99.93R	May 2000	0.15R	-	Merrill Lynch Intl
PT Semen Cibinong	100	(e)	100.00	[illegible] 2003	0.50	-	Bankers Trust Intl
[illegible]	75	(f)	99.85R	May 2001	0.15R	-	Standard Chartered
Bnfcl Home Eqty Loan Trust‡	1.07bn	(g)	(g)	Apr 2026	(g)	-	Morgan Stanley
FRENCH FRANCS							
Republic of Portugal	4bn	6.625	99.07R	May 2008	0.35R	+22§	CCF/SBCW
AUSTRALIAN DOLLARS							
National Australia Bank	125	8.50	101.265	May 1999	1.50	-	ABN Amro Hoare Govett
AUSTRIAN SHILLINGS							
Coca-Cola Amatil Austria	750	5.375	[illegible]	Jun 2001	0.33R	-	Creditanstalt Inv
DANISH							
DePfa Bank(s)	250	4.50	99.35R	Nov 1999	0.2R	+10(7¼%-99)	[illegible]
Swedish Export Credit(s)	125	4.50	100.0R	[illegible]	0.28R	+5(i)	Kreditbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ☞ Unlisted. ‡ Floating-rate note. # Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) To be priced today. b) 1-mth Libor +⅛. b1) Class-B: $52.6m. 1-mth Libor +55bp. c) 3-mth Libor +⅜ to May 2001, and 3-mth Libor +1⅜ thereafter. d) 3-mth Libor +10bp. e) 6-mth Libor +150bp. f) 6-mth Libor + 20bp. Callable on year 3 and thereafter semi-annually. g) To be priced today. g1) Class B: $69m. Class M: $66m. h) Rises to 7% from year 4. § Over interpolated yield. s) Short 1st coupo

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.7160	–	8.97	9.01	9.05
Austria		6.125	02/06	97.1000	–1.000	6.53	6.48	6.66
Belgium		7.000	05/06	102.6800	+0.100	6.60	6.70	7.34
Canada *		8.750	12/05	107.0400	–0.330	7.70	7.69	7.75
Denmark		8.000	03/06	105.5200	–0.300	7.20	7.37	7.72
France	BTAN	5.750	03/01	100.7500	–	5.56	5.74	5.80
	OAT	7.250	04/06	106.0300	+0.030	6.41	6.56	6.71
Germany Bund		6.000	02/06	97.5800	+0.030	6.34	6.40	6.57
Ireland		8.000	08/06	103.1000	–	7.54	7.76	8.10
Italy		9.500	02/06	98.7600	+0.600	9.69†	10.14	10.48
Japan	No 140	6.600	06/01	119.1620	–0.090	2.41	1.96	1.85
	No 182	3.000	09/05	97.8140	–0.030	3.31	3.29	3.23
Netherlands		6.000	01/06	98.0800	+0.100	6.26	6.36	6.58
Portugal		11.875	02/05	117.7400	+0.170	8.85	9.15	9.77
Spain		10.150	01/06	106.4700	–0.020	9.09	9.28	10.05
Sweden		6.000	02/05	85.1230	–0.270	8.26	8.36	9.04
UK Gilts		8.000	12/00	102-10	+6/32	7.39	7.41	7.46
		7.500	12/06	96-14	–1/32	8.00	8.04	8.13
		9.000	10/08	107-01	–1/32	8.09	8.14	8.25
US Treasury *		5.625	02/06	93-19	–12/32	6.52	6.49	6.36
		6.000	02/26	90-03	–21/32	6.78	6.81	6.67
ECU (French Govt)		7.500	04/05	104.9500	+0.270	6.75	6.86	7.31

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.00	Two year	5.95
Prime rate	8¼	Two month	4.97	Three year	6.08
Broker loan rate	7	Three month	5.08	Five year	6.31
Fed.funds	5⅛	Six month	5.23	10-year	6.61
Fed.funds at intervention	•	One year	5.46	30-year	6.77

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9700	0.09	0.69	0.92	0.86	0	0.60	1.35	1.65
9750	0	0.43	0.65	0.65	0.41	0.84	1.69	1.96
9800	0	0.26	0.33	0.49	0.91	1.17	2.04	2.30

Est. vol. total, Calls 17480 Puts 11411. Previous day's open int., Calls 259871 Puts 217922

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113.30	113.95	+0.28	114.54	113.18	71201	54982
Sep	113.50	113.31	+0.25	113.65	113.25	168	481

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11350	1.40	2.21	0.95	2.40
11400	1.12	1.99	1.17	2.68
11450	0.87	1.80	1.42	2.99

Est. vol. total, Calls 8747 Puts 4100. Previous day's open int., Calls [illegible] Puts [illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	99.00	99.05	–0.02	99.39	98.77	77,821	46,009

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-06	106-09	-0-01	106-20	106-02	47893	117009
Sep		105-09	-0-01			0	167

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Apr 23	Day's change %	Mon Apr 22	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	121.94	+0.02	121.92	2.58	2.50
2 5-15 years (19)	146.38	–	146.32	3.02	2.79
3 Over 15 years (9)	161.08	–0.11	161.25	3.02	3.46
4 Irredeemables (6)	185.41	+0.25	184.96	4.35	1.47
5 All stocks (58)	141.74	–0.01	141.76	2.80	2.84

	Low coupon yield Apr 23	Apr 22	Yr. ago	Medium coupon yield Apr 23	Apr 22	Yr. ago	High coupon yield Apr 23	Apr 22	Yr. ago
5 yrs	7.49	7.49	8.30	7.52	7.54	8.37	7.84	7.68	8.50
15 yrs	8.15	8.14	8.33	8.16	8.15	8.41	8.25	8.25	8.62
20 yrs	8.21	8.20	8.32	8.22	8.20	8.41	8.29	8.29	8.65
Irred.†	8.26	8.29	8.35						

Index-linked	Tue Apr 23	Day's change %	Mon Apr 22	Accrued interest	xd adj. ytd
6 Up to 5 years (1)	194.67	–0.05	194.73	–0.07	4.45
7 Over 5 years (11)	186.84	–0.01	186.86	1.19	1.38
8 All stocks (12)	186.89	–0.01	186.91	1.16	1.40

	Inflation 5% Apr 23	Apr 22	Yr. ago	Inflation 10% Apr 23	Apr 22	Yr. ago
Up to 5 yrs	2.78	2.76	3.37	1.36	1.33	1.86
Over 5 yrs	3.71	3.71	3.80	3.50	3.50	3.60

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 23	Apr 22	Apr 19	Apr 18	Apr 17	Yr ago	High*	Low*
Govt. Secs. (UK)	92.42	92.74	92.55	92.29	92.19	92.02	96.34	91.97
Fixed Interest	112.10	112.10	112.04	111.88	111.83	111.24	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Apr 22	Apr 19	Apr 18	Apr 17	Apr 16
Gilt Edged bargains	102.4	79.8	93.9	85.8	88.4
5-day average	89.9	84.3	84.3	82.4	83.9

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on April 23

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅛	98	-⅛	6.94
ABN Amro Bank 7¼ 05	1000	100⅞	101⅛	-⅛	7.24
African Dev Bk 7¾ 23	500	96⅞	97½	-⅛	7.65
Alberta Province 7⅞ 98	1000	103	103¼		6.28
Asian Dev Bank 6¼ 05	750	95⅞	96	-⅛	6.88
Sweden 8 97	2500	105⅛	105⅝	+⅛	3.71
United Kingdom 7¼ 97	5500	105⅛	105⅛		3.57
Volkswagen Intl Fin 7 03	1000	103¼	103⅝	+⅛	6.41
World Bank 0 15	2000	30⅛	30⅝	+⅛	6.25
World Bank 5⅞ 03	3000	99¼	99⅝		5.91
Abbey Natl Treasury 8 03 £	1000	98⅞	99⅞		8.20
Alliance Leics 11⅞ 97 £	100	104⅞	104⅞		6.62
British Land 8⅞ 23 £	150	88⅞	89¼		10.36
Denmark 6¾ 98 £	800	99⅛	99¼	+⅛	7.14
EIB 8 03 £	1000	99⅞	99⅞	+⅛	8.06
Glaxo Wellcome 8¾ 05 £	500	100⅞	100⅞	+⅛	8.62

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مكتبة الأمل

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark remains on back foot in currency markets

By Philip Gawith

The dollar and the lira both rose to fresh highs against the D-Mark yesterday as the weak German currency continued to dominate foreign exchange trading.

The German currency fell to a 14 month low against the US dollar, and an 18 month low against the Italian lira, which maintained its buoyant tone following the centre-left's election victory.

The climate of a weaker D-Mark continues to provide other European countries with greater latitude in monetary policy. The Swedish Riksbank was the latest to take advantage, cutting its key repo rate to 6.9 per cent from 7.15 per cent.

The lira finished unchanged in London at L1,023 against the D-Mark after earlier dipping below L1,020 to L1,018.50.

The dollar maintained its firm showing against the D-Mark, finishing at DM1.518, from DM1.5164. It remains weak against the yen, confirming that current moves are more a reflection of D-Mark weakness than dollar strength. It closed at Y106.635, from Y106.455. Markets paid little attention to a 17 per cent fall in US's February trade deficit.

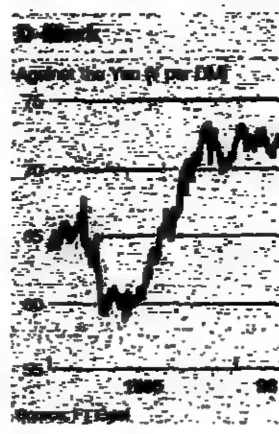
The upshot was that the D-Mark weakened further against the yen, closing at Y70.12, from Y70.33. At one point the D-Mark looked like it would breach the Y70 level.

Sterling was also a beneficiary of the weaker D-Mark, rising to a seven month high. It finished at DM2.2987, from DM2.2916. Against the dollar it closed at $1.5144, from $1.5113.

■ The Bundesbank's decision last week to cut interest rates continues to reverberate in the foreign exchange markets. Coming against the background of a weaker D-Mark it has been interpreted by the market as that rare phenomenon – a Bundesbank endorsement of a weaker D-Mark.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said the bank's move appeared to indicate that "the exchange rate is the only tool it has left to stimulate the economy. They appear to be using the exchange rate in a very un-Bundesbank fashion."

Mr David De Rosa, a director of foreign exchange at SBC Warburg in New York, said one of the big themes in the market at the moment was the unprecedented optimism about the prospects for a European single currency. Underpinning this view is the "recognition that Germany has entered a period of reduced economic activity and, more importantly, that the Bundesbank has its eyes on that ball."



This trend has been bolstered by the "dramatic resolution to the ongoing story of political mayhem in Italy. Three to four months ago that was unthinkable."

Mr Persaud said that the current bout of EMU enthusiasm, most evident in the bond market, where spreads of high-yielding bonds have narrowed sharply against German bunds, had its roots more in the weakness of the D-Mark than in any overt change in sentiment in favour of EMU.

He said: "The strong dollar, weak D-Mark makes investors feel that risks to EMU are reduced. The foreign exchange market has facilitated putting the EMU issue back on the bond markets' agenda."

The reasoning is that a weaker D-Mark allows other European countries to run easier monetary policies. This in turn allows them to maintain the fiscal rigour necessary if they are to have a chance of meeting the Maastricht convergence criteria.

■ The other key theme in the markets is the divergence between the dollar's performance against the yen and the D-Mark. Mr Joe Prendergast, currency strategist at Merrill Lynch in London, said the dollar's inability to break out of ranges against the French and Swiss francs underscored the theme of D-Mark weakness, not dollar strength.

He said that both the Swiss and French central banks had been "stoical" in not following the German lead towards lower rates. Recent developments confirmed his view that the French franc might well return to its old ERM central parity of FFr3.3588 against the D-Mark.

Mr De Rosa said the dollar's weakness against the yen was "largely a reaction to disappointment that something more concrete did not come out of the G-7 summit." He said this was a case of markets hoping that a more convincing case be made for Japanese recovery, rather than expectations of outright dollar support.

■ Pound in New York

Apr 23	—Latest—	— Prev. close —
£ spot	1.5165	1.5120
1 mth	1.5157	1.5112
3 mth	1.5145	1.5101
1 yr	1.5098	1.5060

■ OTHER CURRENCIES

Apr 23	£	$
[illegible]	[illegible]	[illegible]
U.A.E.	5.5585 - 5.5609	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Apr 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1691	+0.0512	591 - 791	16.1880	16.1133	16.0666	2.3	16.0116	2.6	-	-	105.0
Belgium	(BFr)	47.2326	+0.1269	883 - 769	47.2770	47.0830	47.0007	2.7	46.7907	2.7	45.7707	3.3	107.0
Denmark	(DKr)	8.8680	+0.0267	631 - 729	8.8742	8.8075	8.8238	2.1	8.7911	2.2	8.8478	2.2	107.8
Finland	(FM)	7.2826	+0.0718	747 - 904	7.3000	7.2150	7.2066	0.7	7.1966	0.7	-	-	81.0
France	(FFr)	7.7766	+0.0231	731 - 800	7.7814	7.7561	7.7406	2.0	7.718	1.8	7.6178	1.8	109.4
Germany	(DM)	2.2987	+0.0071	972 - 001	2.3019	2.2906	2.2885	2.6	2.2762	2.7	2.2257	3.5	108.5
Greece	(Dr)	366.564	+1.159	379 - 748	366.750	365.189	-	-	-	-	-	-	67.1
Ireland	(I£)	0.9679	+0.0001	670 - 687	0.9692	0.9670	0.967	1.0	0.9667	0.9	0.9596	0.9	98.3
Italy	(L)	2350.65	+6.25	972 - 158	2353.68	2337.27	2352.66	-4.2	2367.75	-4.0	2420.45	-3.2	75.7
Luxembourg	(LFr)	47.2326	+0.1269	883 - 769	47.2790	47.0830	47.0007	2.7	46.7907	2.7	45.8707	2.8	107.0
Netherlands	(Fl)	2.5721	+0.009	705 - 736	2.5748	2.5589	2.5588	3.0	2.544	3.0	2.4849	3.1	107.1
Norway	(NKr)	9.8885	+0.0326	840 - 929	9.8960	9.8223	9.8467	1.1	9.8276	1.1	9.7319	1.3	98.5
Portugal	(Es)	235.542	+0.731	396 - 686	235.725	234.781	235.236	-2.2	236.141	-2.3	-	-	95.2
Spain	(Pta)	191.098	+0.558	009 - 183	191.357	190.565	190.848	-2.0	191.348	-1.7	192.998	-1.9	81.8
Sweden	(SKr)	10.1666	+0.0255	561 - 770	10.2179	10.1109	10.1425	-0.1	10.144	-0.1	10.1462	-0.1	89.4
Switzerland	(SFr)	1.8592	+0.005	579 - 605	1.8620	1.8546	1.8478	4.1	1.8361	4.1	1.7785	4.1	112.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.0
Ecu	-	1.2236	+0.002	228 - 242	1.2243	1.2196	1.2202	1.3	1.2172	1.4	1.2069	1.4	-
SDR†	-	1.044480	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5139	+0.0031	119 - 149	1.5184	1.5104	-	-	-	-	-	-	-
Brazil	(R$)	1.5009	+0.0026	003 - 015	1.5031	1.4970	-	-	-	-	-	-	-
Canada	(C$)	2.0623	+0.0054	613 - 633	2.0666	2.0557	2.0592	0.4	2.0546	0.6	2.0495	0.6	84.6
Mexico	(New Peso)	11.2327	+0.0879	255 - 398	11.2405	11.1814	-	-	-	-	-	-	-
USA	($)	1.5144	+0.0031	139 - 149	1.5186	1.5106	1.5105	0.6	1.5094	0.5	1.5024	0.8	96.4
Pacific/Middle East/Africa													
Australia	(A$)	1.9168	-0.0051	161 - 176	1.9202	1.9130	1.924	-1.8	1.929	-1.6	1.9549	-1.7	99.0
Hong Kong	(HK$)	11.7168	+0.025	116 - 200	11.7321	11.6871	11.6927	0.8	11.6711	0.7	11.6573	0.5	-
India	(Rs)	51.7580	+0.0682	483 - 576	51.8580	51.5330	-	-	-	-	-	-	-
Israel	(Shk)	4.8012	-0.0018	965 - 059	4.8081	4.7874	-	-	-	-	-	-	-
Japan	(Y)	161.210	+0.058	124 - 296	161.720	160.890	160.427	5.4	158.937	5.5	152.522	5.4	137.4
Malaysia	(M$)	3.7814	+0.0156	795 - 832	3.7856	3.7690	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2177	+0.0129	162 - 192	2.2206	2.2014	2.2098	-2.7	2.2169	-2.8	2.2681	-2.2	109.9
Philippines	(Peso)	39.6308	+0.0965	431 - 181	39.7185	39.5430	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6785	+0.0117	766 - 806	5.6869	5.6649	-	-	-	-	-	-	-
Singapore	(S$)	2.1333	+0.0031	319 - 347	2.1350	2.1299	-	-	-	-	-	-	-
South Africa	(R)	6.4171	-0.0133	076 - 265	6.4270	6.4037	-	-	-	-	-	-	-
South Korea	(Won)	1179.66	+2.79	983 - 098	1181.43	1177.06	-	-	-	-	-	-	-
Taiwan	(T$)	41.1460	+0.1122	327 - 592	41.2060	41.0480	-	-	-	-	-	-	-
Thailand	(Bt)	38.2676	+0.046	411 - 941	38.3240	38.1950	-	-	-	-	-	-	-

† Rates for Apr 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.6773	+0.012	738 - 807	10.7010	10.6600	10.5709	2.2	10.6096	2.3	10.4200	2.3	104.9
Belgium	(BFr)	31.1900	+0.02	700 - 100	31.2550	31.1400	30.895	2.1	31	2.2	30.48	2.3	106.7
Denmark	(DKr)	5.8580	+0.007	545 - 575	5.8672	5.8448	5.801	1.5	5.8245	1.7	5.7555	1.6	107.1
Finland	(FM)	4.8091	+0.0375	053 - 128	4.8155	4.7897	4.7466	1.5	4.7581	1.6	4.7076	1.3	80.8
France	(FFr)	5.1353	+0.0048	345 - 360	5.1445	5.1230	5.1029	1.4	5.1146	1.2	5.0725	1.1	108.9
Germany	(DM)	1.5180	+0.0016	175 - 184	1.5222	1.5155	1.5031	2.1	1.5081	2.2	1.4819	2.3	107.9
Greece	(Dr)	242.080	+0.27	010 - 110	242.420	241.530	242.985	-5.3	248.815	-6.3	260.79	-7.9	66.6
Ireland	(I£)	1.5647	+0.0031	638 - 655	1.5665	1.5586	1.5659	-0.4	1.5681	-0.4	1.5546	0.5	-
Italy	(L)	1552.25	+0.95	210 - 240	1558.50	1546.80	1574.3	-4.6	1569.9	-4.5	1609.8	-3.8	75.3
Luxembourg	(LFr)	31.1900	+0.02	700 - 100	31.2550	31.1400	30.897	2.1	31.0105	2.0	30.53	2.1	106.7
Netherlands	(Fl)	1.6985	+0.0025	980 - 990	1.7035	1.6912	1.6809	2.4	1.6855	2.5	1.6538	2.5	106.7
Norway	(NKr)	6.5298	+0.0082	288 - 308	6.5450	6.4945	6.4901	0.5	6.5131	0.5	6.4786	0.7	97.7
Portugal	(Es)	155.540	+0.165	490 - 590	155.850	155.320	154.905	-2.4	156.28	-2.3	158.425	-2.0	95.3
Spain	(Pta)	126.190	+0.11	170 - 210	126.500	126.050	125.65	-2.4	126.76	-2.2	128.3	-1.8	81.5
Sweden	(SKr)	6.7135	+0.0031	086 - 184	6.7467	6.6788	6.7091	-2.0	6.7389	-1.7	6.7809	-1.1	86.8
Switzerland	(SFr)	1.2277	+0.0006	272 - 282	1.2318	1.2260	1.2187	3.6	1.2161	3.6	1.1842	3.6	112.4
UK	(£)	1.5144	+0.0031	139 - 149	1.5186	1.5106	1.5105	0.6	1.5094	0.5	1.5024	0.8	83.4
Ecu	-	1.2376	+0.0005	374 - 381	1.2398	1.2365	1.2447	-0.7	1.2397	-0.8	1.2486	-0.9	-
SDR†	-	0.69040	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	997 - 999	0.9999	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	0.9911	-0.0006	910 - 912	0.9913	0.9910	-	-	-	-	-	-	-
Canada	(C$)	1.3619	-0.0005	616 - 621	1.3634	1.3614	1.3621	0.1	1.3625	0.0	1.3688	-0.2	83.8
Mexico	(New Peso)	7.4175	+0.043	150 - 200	7.4200	7.4150	7.4147	-0.4	7.36	-0.3	7.3848	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.3
Pacific/Middle East/Africa													
Australia	(A$)	1.2653	-0.006	650 - 656	1.2684	1.2646	1.2806	-1.9	1.2788	-1.7	1.2955	-1.9	85.6
Hong Kong	(HK$)	7.7365	+0.0006	360 - 370	7.7375	7.7360	7.7365	-0.1	7.7384	-0.1	7.7654	-0.4	-
India	(Rs)	34.1750	-0.025	500 - 000	34.2100	34.0450	34.35	-6.3	34.686	-6.3	36.125	-5.6	-
Israel	(Shk)	3.1705	-0.0077	683 - 726	3.1774	3.1661	-	-	-	-	-	-	-
Japan	(Y)	106.455	-0.18	430 - 480	106.940	106.220	106.52	5.0	105.29	5.0	101.55	4.8	137.5
Malaysia	(M$)	2.4970	+0.0052	965 - 975	2.4988	2.4878	2.4969	-0.4	2.4988	-1.1	2.5223	-1.2	-
New Zealand	(NZ$)	1.4646	+0.0065	639 - 650	1.4652	1.4635	1.4662	-2.6	1.4677	-2.4	1.4823	-2.3	-
Philippines	(Peso)	26.1700	+0.01	200 - 200	26.2200	26.1200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7500	+0.0001	498 - 502	3.7505	3.7495	3.7501	-0.1	3.751	-0.1	3.7544	-0.1	-
Singapore	(S$)	1.4087	-0.0008	082 - 092	1.4102	1.4080	1.405	3.0	1.4	2.7	1.3745	2.5	-
South Africa	(R)	4.2375	-0.0175	325 - 425	4.2525	4.2324	4.2662	-8.1	4.3053	-7.8	4.5595	-7.1	-
South Korea	(Won)	779.100	+0.35	000 - 200	779.400	778.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.1720	+0.0185	700 - 740	27.1830	27.1650	27.189	-0.9	27.2185	-0.9	-	-	-
Thailand	(Bt)	25.2700	-0.02	600 - 800	25.2900	25.2595	25.3667	-4.7	25.5925	-4.8	26.475	-4.7	-

† SDR rate per $ for Apr 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 22: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

April 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.70	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.70	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.65
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.00
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	[illegible]	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.13	5.15	5.24	5.52	-	-	-
week ago	-	5.13	5.15	5.23	5.50	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.09	96.10	-	96.14	96.06	23,265	59,068
Sep	96.04	96.06	-0.01	96.10	96.01	13,434	48,634
Dec	95.86	95.88	-0.01	95.93	95.83	4,311	29,409

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.83	96.83	-	96.85	96.82	17724	218397
Sep	96.83	96.84	-	96.86	96.82	29166	245427
Dec	96.66	96.67	-	96.70	96.64	25206	139320
Mar	96.35	96.37	-	96.40	96.33	22601	119845

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.28	91.30	-0.02	91.40	91.23	19220	48131
Sep	91.75	91.87	+0.04	91.97	91.75	10368	30010
Dec	91.89	91.98	+0.05	92.07	91.88	4432	20952
Mar	91.85	91.90	+0.05	91.98	91.85	1758	8605

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	98.16	-0.06	98.23	98.15	3358	24071
Sep	98.15	98.10	-0.05	98.16	98.07	4217	15960
Dec	97.90	97.86	-0.04	97.90	97.83	1021	11931
Mar	97.59	97.54	-0.05	97.60	97.53	455	3529

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.17	99.17	-0.01	99.17	99.17	100	na
Sep	98.89	98.89	-0.01	98.89	98.89	210	na
Dec	98.61	98.61	-	98.61	98.60	798	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.73	95.77	+0.02	95.78	95.73	1649	7084
Sep	95.74	95.78	+0.03	95.78	95.74	548	4040
Dec	95.59	95.61	+0.02	95.61	95.59	218	3173
Mar	95.29	95.32	+0.02	95.34	95.29	331	1869

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.78	16.47	4.868	2.050	4976	5.446	20.94	498.6	404.6	21.59	3.936	2.117	4.365	3.206	341.3	2.589
Denmark	(DKr)	53.28	10	8.770	2.592	1.092	2651	2.900	11.15	265.6	215.5	11.47	2.096	1.128	2.325	1.707	181.8	1.379
France	(FFr)	60.73	11.40	10	2.956	1.245	3023	3.307	12.71	302.8	245.7	13.08	2.390	1.286	2.651	1.947	207.3	1.573
Germany	(DM)	20.54	3.857	3.383	1	0.421	1023	1.119	4.301	102.4	83.12	4.424	0.809	0.435	0.897	0.659	70.12	0.532
Ireland	(I£)	48.79	9.161	8.034	2.375	1	2429	2.657	10.21	243.3	197.4	10.51	1.920	1.033	2.130	1.564	166.5	1.263
Italy	(L)	2.009	0.377	0.331	0.098	0.041	100.	0.109	0.421	10.02	8.128	0.433	0.079	0.043	0.088	0.064	6.857	0.052
Netherlands	(Fl)	18.36	3.448	3.024	0.894	0.376	914.1	1	3.844	91.56	74.30	3.954	0.723	0.389	0.802	0.589	62.67	0.476
Norway	(NKr)	47.76	8.968	7.865	2.325	0.979	2378	2.601	10	238.2	193.3	10.29	1.880	1.011	2.085	1.531	163.0	1.237
Portugal	(Es)	20.05	3.765	3.302	0.976	0.411	998.3	1.092	4.199	100.	81.15	4.318	0.789	0.425	0.876	0.643	68.45	0.519
Spain	(Pta)	24.71	4.641	4.070	1.203	0.507	1230	1.346	5.174	123.2	100.	5.322	0.973	0.523	1.079	0.792	84.35	0.640
Sweden	(SKr)	46.44	8.720	7.647	2.261	0.952	2312	2.529	9.723	231.6	187.9	10	1.828	0.983	2.028	1.489	158.5	1.203
Switzerland	(SFr)	25.41	4.770	4.183	1.237	0.521	1265	1.384	5.319	126.7	102.8	5.471	1	0.538	1.109	0.814	86.71	0.658
UK	(£)	47.23	8.868	7.777	2.299	0.968	2351	2.572	9.889	235.5	191.1	10.17	1.859	1	2.062	1.514	161.2	1.223
Canada	(C$)	22.90	4.301	3.772	1.115	0.469	1140	1.247	4.795	114.2	92.66	4.932	0.902	0.485	1	0.734	78.18	0.593
US	($)	31.20	5.857	5.137	1.518	0.639	1553	1.699	6.531	155.5	126.2	6.717	1.228	0.661	1.362	1	106.5	0.808
Japan	(Y)	29.30	5.501	4.824	1.426	0.600	1458	1.595	6.134	146.1	118.5	6.309	1.153	0.620	1.279	0.939	100.	0.759
Ecu		38.62	7.251	6.359	1.880	0.791	1922	2.103	8.085	192.6	156.3	8.316	1.520	0.818	1.686	1.238	131.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6615	0.6609	-0.0004	0.6620	0.6592	21,377	81,550
Sep	0.6662	0.6648	-0.0004	0.6655	0.6640	74	3,295
Dec	-	0.6693	-	-	-	4	365

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9450	0.9468	+0.0018	0.9479	0.9422	14,729	68,887
Sep	0.9564	0.9577	+0.0017	0.9588	0.9564	298	[illegible]
Dec	0.9695	0.9699	+0.0028	0.9700	0.9695	2	1,180

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8180	0.8183	-0.0007	0.8208	[illegible]	[illegible]	40,170
Sep	0.8262	0.8257	-0.0008	0.8270	0.8264	31	1,521
Dec	-	0.8340	-0.0001	0.8342	-	3	670

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5100	1.5136	+0.0028	1.5158	1.5080	5,181	59,363
Sep	1.5080	1.5134	+0.0040	1.5140	1.5080	19	146
Dec	-	1.5130	+0.0044	1.5120	-	6	34

UK INTEREST RATES

LONDON MONEY RATES

Apr 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 4	[illegible]	[illegible]	[illegible]	[illegible] - 6	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	6 - [illegible]	6 - [illegible]	[illegible]	[illegible]
Discount Market deps	6 - 5½	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Apr 19, 5.7902pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 29, 1996. Agreed rate for period Apr 26, 1996 to May 25, 1996, Schemes II & III 7.38pc. Reference rate for period Mar 1, 1996 to Mar 28, 1996, Schemes IV & V 6.139pc. Finance House Base Rate 6.5pc from April 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.95	93.96	+0.01	93.97	93.94	10849	78003
Sep	93.78	93.81	+0.04	93.83	93.76	14405	59439
Dec	93.37	93.43	+0.04	93.45	93.36	14028	64881
Mar	92.92	92.98	+0.04	93.00	92.92	6492	42121
Jun	92.57	92.63	+0.04	92.65	92.57	2302	37100

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9375	0.26	0.22	0.20	0.04	0.16	0.32
9400	0.07	0.09	0.12	0.11	0.28	0.59
9425	0.01	0.04	0.07	0.30	0.48	0.89

Est. vol. total, Calls 1981 Puts 1634. Previous day's open int., Calls 129885 Puts 116455

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

[illegible]

BASE LENDING RATES

[illegible]

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	502	+1	506	478½	5,288	5.9	18.2
Bulmer (HP)	[illegible]	622	—	625	408	328.4	2.5	19.5
Burn St Dist	[illegible]	118xd	—	148	101	70.6	5.3	25.7
Grand Met	[illegible]	448	-3	487	374	[illegible]	4.2	19.3
Guinness	[illegible]	472xd	-2	538	435	[illegible]	3.9	15.4
Highland	[illegible]	385	-3	408	315	[illegible]	2.8	16.9
Kirin Y	[illegible]	[illegible]	[illegible]	[illegible]	621	[illegible]	0.7	33.2
Macallan-Glen	[illegible]	171xd	+1	217	150	[illegible]	1.1	35.1
Morrison Martin A	[illegible]	633	—	680	600	85.7	2.2	77.8
Matthew Clark	[illegible]	785	+1	787	580	875.6	3.6	–
Merrydown	[illegible]	118	—	148	88	12.5	2.2	–
Seagram S		£21⅞	-⅛	£25⅞	£16⅛	5,800	1.3	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf		50½	—	50½	50½	6.31	19.8	–
Close Allen	[illegible]	441	-3	525	426	143.8	8.5	7.3
Close Bros	[illegible]	375	+8	[illegible]	[illegible]	457.8	3.0	16.6
Gerrard & Nat	[illegible]	480	-3	472	399	185.6	7.0	12.9
Hambros	[illegible]	245	-2	282	180	495.2	3.8	–
7½pc Cv Pf		115	+1	115	94½	149.1	8.2	–
King & Shaxson	[illegible]	165	—	165	80	40.9	7.3	12.0
Leopold J	[illegible]	480	—	483	353	23.9	5.3	15.5
Rea Brothers	[illegible]	[illegible]	—	67	44	[illegible]	2.2	27.5
Schroders	[illegible]	1229½	-5½	1478	1050	1,858	1.6	17.1
N/V	[illegible]	979xd	+1	1180	890	490.6	2.0	13.7
Singer & Fried	[illegible]	105	—	113	84	207.4	4.9	8.2

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Retail, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR "Headline Earnings" forecasts.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xp ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT1557. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Both Annual Reports and FT Company Focus are available from the above number.

FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4578.

Reports published by ShareFinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

The share prices printed on these pages are also available on the internet at www.FT.com.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

صكتاب الاجل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credis Investment Funds - Contd.

[illegible]

Pictet Group - Contd.

[illegible]

RENI Global Funds

[illegible]

River & Mercantile Latin American SICAV

	Selling Price	Buying Price	+ or -	Yield Gross
Latin American NAV	$10.70		-0.04	

Rosenberg Global Mngt Co SA (u)

[illegible]

Rosenberg Management SA (u)

[illegible]

Rosenberg US Japan Mngmt Co SA (u)

[illegible]

B.d.G. Edmond de Rothschild (Luxembourg)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Rights talk and gilts auction fears upset shares

By Steve Thompson, UK Stock Market Editor

London's equity market wilted again under a welter of bearish stories, some eminently plausible, others extremely far-fetched.

The fundamentals included a disappointing Quarterly Trends Survey, published by the Confederation of British Industry, which highlighted sluggish output and new orders and a dip in business confidence.

And the absence of another much rumoured takeover bid in the utilities sector was a further depressing influence in the marketplace.

Another downside factor was a strong rumour that one of the big FT-SE 100 stocks was preparing a substantial rights issue, possibly to finance a big acquisition. British Airways was cited as a possible rights issue candidate, as were the Footsie's brewing giants, Bass and Scottish & Newcastle.

Adding to the market's general unease yesterday were worries about today's auction of £3bn worth of 10-year gilts. Dealers said bond markets had become increasingly nervous ahead of the gilts, bund and bond auctions scheduled for this week.

The upshot of all this perceived bad news was that the FT-SE 100 index posted its second successive decline, losing a further 19.7 to 3,833.0. The downside pressures were much less obvious in the FT-SE Mid 250 index, which finally succumbed to small pockets of profit-taking and eased 4.0 to 4,540.1.

The day was not without the usual daily dose of takeover speculation, or the "usual fantasies" as one dealer put in.

The spotlight yesterday alighted on Zeneca, whose shares challenged their all-time high in the wake of stories that a bid from the Continent or the US was on the way. Such stories have propelled Zeneca on numerous occasions in the past year. Ladbroke, where talk of a bid from Bass, Scottish & Newcastle or Hilton International crop up weekly, was one of only a handful of Footsie stocks to make progress, as was Thorn EMI, owing to renewed talk of a break-up bid.

Meyer International, the timber and building materials group, was another to attract bid rumours.

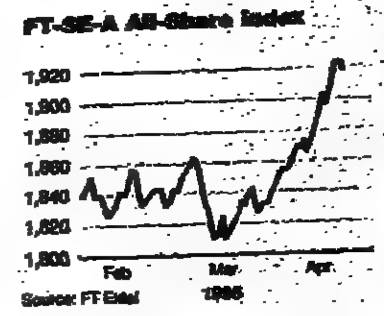
Rumours continued to circulate in the utilities, where marketmakers are expecting the Department of Trade and Industry to give the green light for National Power and PowerGen to proceed with their bids for Southern and Midlands Electricity.

Some dealers expect NatPower to raid the market for Southern Electricity shares immediately the DTI news is made public. A bid for National Power from Southern Company, of the US, is being predicted for Thursday.

London gave ground from the outset, with the FT-SE 100 opening 13 points off and never looking able to recoup its early loss.

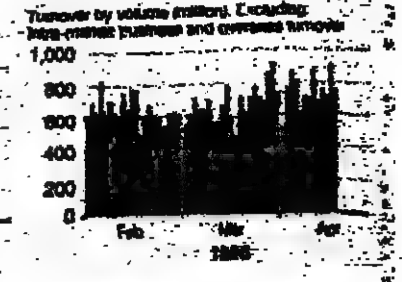
Turnover topped the 1bn-share mark, eventually settling at 1.08bn at the 6pm calculation. This figure was inflated by very heavy volume in BET, 150m shares, which accounted for 14 per cent of the overall total and which followed the market raid on the stock by Rentokil, whose bid closes on Friday. Customer business on Monday was worth £1.63bn.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3833.0	-19.7
FT-SE Mid 250	4540.1	-4.0
FT-SE-A 350	1936.5	-8.1
FT-SE-A All-Share	1916.89	-7.05
FT-SE-A All-Share yield	3.68	3.67
FT Ordinary index	2858.6	[illegible]
FT-SE-A Non Fins p/e	17.55	[illegible]
FT-SE100 Fut Jun	3843.00	[illegible]
10 yr Gilt yield	8.00	[illegible]
Long gilt/equity yld ratio	2.25	[illegible]

Best performing sectors

1 Household Goods +1.5
2 Health Care +1.5
3 Property +0.6
4 Oil Exploration & Prod +0.5
5 Investment Trusts +0.3

Worst performing sectors

1 Engineering, Vehicles [illegible]
2 Telecommunications [illegible]
3 Building Mats & Merchs [illegible]
4 Retailers: General [illegible]
5 Life Assurance [illegible]

Defence sector mauled

Defence stocks took something of a direct hit as the political tension between the UK and Saudi Arabia spilled over into the stock market.

The catalyst was a profits warning from **Babcock International**, which announced a slump in orders largely as a result of the Saudi row. Babcock tumbled more than 12 per cent and sentiment in the sector went into a nosedive.

Among the leaders, **British Aerospace** came off 14 to 864p, **Rolls-Royce** lost 2 to 238½p in 10m traded and **GKN** closed 13 lower at 979p. **Vickers** was off 8 at 253p and **Lucas Industries** shed 6 to 220p.

Most analysts admitted that any loss of Saudi-favoured contractor status would be a problem, but felt that many of the scare stories floating around the City had been overplayed.

Babcock was said to be something of a special case. Brokers downgraded profits savagely and the stock dropped 15½ to a new low of 113p in record volume of 9.2m shares. BZW cut back its forecast for this year by £7m to £17m.

Zeneca advances

Pharmaceuticals group **Zeneca** was one of the day's main talking points as several reasons combined to drive the stock sharply ahead.

Moving strongly against the poor market trend, the shares jumped 33 to 1390p to make it the day's best performer among FT-SE 100 constituents. Volume at the close stood at a healthy 2.6m shares.

The return of bid speculation was one factor in the initial advance of the shares, though analysts moved yesterday afternoon to beat down talk of a possible bid from Swiss group Roche.

Other analysts attributed the demand to a "general catching up" in the second quarter of the year, the stock having lagged behind its rivals. Some pointed to a simple squeeze in the stock.

BET raided

BET was easily the day's most heavily traded stock. Support services rival **Rentokil**, which has mounted a bid for BET, snapped up 6.8 per cent of the group ahead of Friday's offer deadline and pushed BET volume up to 150m shares.

Rentokil was said to have acquired its stake from willing sellers among institutional shareholders. BET closed 4 higher at 205½p and Rentokil added 5¼ at 358½p.

Timber specialist **Meyer International** stood out among building materials shares. There was talk of a stock shortage and speculation that Harrisons & Crosfield was lining up a deal. Meyer rose 26 to a new high of 460p.

The performance contrasted with general weakness for the sector following a cautious note from NatWest Securities.

Meyer acquired Harrisons & Crosfield's timber operations last year for £18m and there has been sporadic but persistent rumours of further corporate activity involving the two groups.

NatWest urged clients to hold off and buy on weakness following the recent strong run for the sector. **Blue Circle** lost 11 to 359p and **Wolseley** came off 11 to 464p. **Rugby Group**, off 4¼ at 130½p, was backmarker in the FT-SE Mid 250.

Speculation about a big rights issue from the brewing sector – with Bass and Scottish & Newcastle possible perpetrators – was dismissed by leading analysts.

One analyst said: "Genuine business is thin on the ground and traders are just looking to generate business by making excuses for rights issues." He said that S&N was still digesting Courage, and Bass had no need for a rights issue in order to make a major acquisition.

Bass dipped 4 to 786 and **S&N** softened 5 to 683p – in spite of speculation that it could be making a £700m sale and lease-back on Centre Parcs.

Among retailers, **Sears**, which also owns the Freemans mail order business, hardened 1¾ to 98¾ in spite of disappointing results and the disclosure that mail order business was 5 per cent down in the first two months of this year among the main players – excluding GUS, the market leader.

In spite of this the mail order caution also depressed **GUS**, which fell 17 to 745p. Analysts also said GUS had had a strong run recently and there was some profit-taking.

T.J. Hughes, the discount retailer, added 4 at 61p following results and news of management changes.

Rumour and counter-rumour continued in the regional electricity sector yesterday. **National Grid** remained on the market's bid list and the shares firmed another 2 to 200½p. Dealers also suggested that several institutions had been bid for stock in the market to avoid getting caught short in the event of a bid; while other buying came from those that simply favour the stock's yield attractions. There was heavy volume of 14m.

Expectations of a raid on **Southern Electricity** from its agreed suitor National Power saw the shares maintain their strong momentum, adding 12 at 903p in trade of 1.7m.

There was substantial profit-taking in **National Power**, which left the shares trailing 9 to 596p following trade of 4.8m, with dealers reporting some switching out of NatPower and into National Grid. Traders said a bid from Southern Co, the US utility, is still on the cards.

Among leading composite insurance stocks, **Guardian Royal Exchange** shed 2 to 238p, while **Royal Insurance** holdings fell 3 to 364p. **Sun Alliance** eased 2 to 358p and **General Accident** retreated a penny to 641p.

Lehman Brothers, the US investment bank yesterday reiterated its underweight stance on the sector. It downgraded earnings to reflect poor weather and deeper downturn and said it now expects sector earnings to halve between 1995 and 1997. However, Lehman continues to favour Royal Insurance and said it "appears fundamentally cheap after 18 per cent underperformance".

Profits downgrades cast a cloud over telecom shares. Merrill Lynch cut back at **Cable and Wireless** and **Vodafone**, and both lost ground.

C&W was Merrill's main focus. Rising start-up costs in Europe and heavier depreciation have led the broker to cut back earnings estimates and move from buy to hold on the stock. It has reduced its profits estimates by £45m to £1.24bn for 1996 and by £80m to £1.4bn for 1997.

Possible earnings dilution from recent French moves is the reason for the downgrade at mobile phones group Vodafone, where Merrill is looking for profits of £520m for 1997, down from £550m.

The shares, off 8½ at 255½p, fell to the bottom end of the Footsie rankings. C&W ended 4 lower at 531p.

A positive annual meeting from oil exploration group **Lasmo** left the shares 1¼ better at 191p.

Profit-taking continued to squeeze media stocks. **Reuters** tumbled 18 to 764p for a two-day decline of 4 per cent. **Reed International** shed 11 to 1160p as institutions switched into Elsevier.

MARKET REPORTERS:
Jeffrey Brown, Lisa Wood, Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Apr 23	Apr 22	Apr 19	Apr 18	Apr 17	Yr ago	*High	*Low
Ordinary Share	2858.6	2880.1	2885.2	2847.1	2824.4	2438.4	2885.2	2696.7
Ord. div. yield	3.88	3.86	3.93	3.98	4.00	4.34	4.06	3.76
P/E ratio net	16.77	16.86	16.53	16.33	16.24	16.58	17.25	15.96
P/E ratio nil	16.53	16.82	16.29	16.10	16.01	16.50	17.06	15.76

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2872.0	2874.6	2873.9	2868.2	2864.2	2863.8	2861.4	2855.9	2857.4	2874.6	2853.5

	Apr 23	Apr 22	Apr 19	Apr 18	Apr 17	Yr ago
SEAQ bargains	37,560	42,481	42,343	40,197	42,656	25,416
Equity turnover (£m)†	–	1629.6	2072.8	2454.3	2113.3	1579.3
Equity bargains†	–	48,776	48,958	47,711	48,994	37,436
Shares traded (mil)†	–	622.4	780.3	907.8	732.1	739.5

†Excluding intra-market business and overseas turnover.

	Apr 23	Apr 22	Apr 19	Apr 18	Apr 17	Yr ago	*High	*Low
FT-SE AIM	1039.50	1036.40	1026.10	1026.40	1019.20	–	1064.62	985.65

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	746	Total Highs	295	Total contracts	[illegible]
Total Falls	596	Total Lows	15	Calls	16,441
Same	1,429			Puts	16,960

Apr. 23 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

FT GOLD MINES INDEX

FUTURES AND OPTIONS

TRADING VOLUME

■ Major Stocks Yesterday

FT-SE Actuaries Share Indices — The UK Series

	Apr 23	Day's chge%	Apr 22	Apr 19	Apr 18	Year ago
FT-SE 100	3833.0	-0.5	3852.7	3857.1	[illegible]	[illegible]
FT-SE Mid 250	4540.1	-0.1	4544.1	4534.5	4493.8	3511.[illegible]
FT-SE Mid 250 ex Inv Trusts	4577.2	-0.1	4582.5	4573.7	4530.3	3520.[illegible]
FT-SE-A 350	1936.5	-0.4	1944.5	1945.4	1927.2	1595.[illegible]
FT-SE-A 350 Higher Yield	1869.7	-0.5	1879.0	1878.5	1862.5	1610.[illegible]
FT-SE-A 350 Lower Yield	2010.8	-0.3	2017.8	2021.9	1999.5	1580.[illegible]
FT-SE SmallCap	2200.29	+0.2	2195.32	2187.97	2168.63	1756.45
FT-SE SmallCap ex Inv Trusts	2189.38	+0.2	2184.76	2178.49	2159.37	1732.8[illegible]
FT-SE-A ALL-SHARE	1916.89	-0.4	1923.94	1924.17	1906.36	1575.4[illegible]

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

CONTRACTS & TENDERS

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 23 / Sch)

BELGIUM/LUXEMBOURG (Apr 23 / Frs.)

CZECH REP (Apr 23 / Koruna)

DENMARK (Apr 23 / Kr)

FINLAND (Apr 23 / Mks)

FRANCE (Apr 23 / Frs.)

GERMANY (Apr 23 / Dm.)

GREECE (Apr 23 / Drachma)

ITALY (Apr 23 / Lire)

NORWAY (Apr 23 / Kroner)

POLAND (Apr 23 / Zloty)

PORTUGAL (Apr 23 / Escudo)

SPAIN (Apr 23 / Pta.)

NETHERLANDS (Apr 23 / Fls.)

SWEDEN (Apr 23 / Kronor)

SWITZERLAND (Apr 23 / Frs.)

TURKEY (Apr 22 / TL Lira)

PACIFIC

JAPAN (Apr 23 / Yen)

HONG KONG (Apr 23 / H.K.$)

INDONESIA (Apr 23 / Rupiah)

MALAYSIA (Apr 23 / MYR)

NEW ZEALAND (Apr 23 / NZ $)

SINGAPORE (Apr 23 / S$)

AUSTRALIA (Apr 23 / Aus$)

SOUTH KOREA (Apr 23 / Won)

TAIWAN (Apr 23 / TW $)

THAILAND (Apr 23 / Baht)

AFRICA

SOUTH AFRICA (Apr 23 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 23 / Can $)

4 pm close

MONTREAL (Apr 23 / Can $)

4 pm close

INDICES

US INDICES

RATIOS

	Apr 19	Apr 12	Apr 5	Year ago
Dow Jones Ind. Div. Yield	2.17	2.17	2.11	2.57
	Apr 17	Apr 10	Apr 3	Year ago
S & P Ind. Div. yield	1.90	1.92	1.86	2.27
S & P Ind. P/E ratio	21.13	20.83	21.43	18.06

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	652.00	651.85	-0.20	652.70	650.15	66,436	177,780
Sep	658.35	657.10	-0.40	658.00	655.80	286	6,070

Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Jun	22260.0	22280.0	+40.0	22280.0	22310.0	20,842	284,277
Sep	-	22200.0	-	-	-	-	13,012

Open interest figures for previous day.

INDEX FUTURES

TOKYO - MOST ACTIVE STOCKS: Tuesday, April 23, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Rayon	10.5m	442	-18	Shinko Electric	5.0m	980	-40
Teijin	6.9m	572	-22	Toray Inds	5.0m	706	-19
Nippon Stl Corp	6.6m	379	+1	Sanyo Electric	4.9m	663	-6
Mitsubishi Hvy	5.9m	941		NKK Corp	4.8m	329	-3
Nichiboshin	5.2m	308	+63	Taisei Corp	4.8m	808	+13

FT FREE ANNUAL REPORTS SERVICE

4 pm close April 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

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NYSE COMPOSITE PRICES

4 pm close April 23

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
87¼	65⅞	Schlmb	1.50	1.8	30	8044	85	83½	84	-⅛
25⅞	7¾	Schlr			11	3062	8⅝	8⅜	8½	+⅛
27⅞	18⅝	SchwabC	0.16	0.7	23	4060	23⅞	22¾	23⅝	+⅞
28⅞	22¼	SchwMaud			14	1030	27⅞	27¼	27¼	-⅛
19½	13⅛	SciAtl	0.06	0.3	42	3377	19¾	18⅞	19¼	+½
18¾	17	Scotsman	0.10	0.5	11	102	d18¾	18⅞	18¾	+⅛
43½	38⅛	Scripps	0.52	1.2	26	1663	42¼	42	42¼	+⅛
18⅜	14½	ScuddrNAsF	0.02	0.1		91	18⅜	18	18¼	
12½	11	ScuddrNEuF	0.16	1.3		205	12⅞	12⅛	12⅝	+⅛
18⅜	16	SeaCoB	0.70	3.9	2	35	u18⅜	17½	18¼	+¼
16	15⅛	SeaC1.4625	1.46	9.7		10	15⅛	d15⅛	15⅛	
67⅞	44¾	Sgate			10	27164	57⅞	55⅞	55⅞	-⅛
36⅞	31¾	Seagrm	0.60	1.8	23	6978	34¼	33⅛	33¾	+1⅛
24⅜	17⅞	Seagul En			16	2872	24	23⅛	23⅞	+½
35¼	26	Sealed Air			25	798	35	34⅝	34¾	+⅛
53¾	38⅞	SearsR	0.92	1.8	14	17206	51⅞	50¼	51½	+⅛
22¾	19¾	SecCapStI	1.24	6.0	24	570	20⅝	20¼	20¼	-⅛
13	11⅞	Seligm Sel x	0.84	6.9		38	12¼	12¼	12¼	
23⅝	13⅝	Sensormat	0.22	1.0	75	2808	21¼	20⅝	21¼	
35⅝	29½	SequaA	0.60	1.8	60	92	34⅝	34	34¼	-⅝
41⅝	39	SequaB	0.50	1.2	72	7	41¼	41	41¼	
53½	38⅞	ServCp	0.48	0.9	28	11061	u53½	51⅞	52¼	+1¼
33½	29⅛	Svmstr x	0.96	3.0	14	160	31¾	31½	31⅝	
6	4½	SvcMerch			11	1203	5½	5¼	5½	-¼
47⅞	28½	SGSThm			10	1416	u47⅞	46⅝	47⅞	+½
15⅛	10⅝	Shaw Ind	0.30	2.5	25	2189	12½	12⅛	12⅛	-⅛
[illegible]										

NASDAQ NATIONAL MARKET

4 pm close April 23

[illegible]

AMEX COMPOSITE PRICES

4 pm close April 23

[illegible]

FINANCIAL TIMES Wednesday April 24 1996

AMERICA

Digital results provide a lead to Nasdaq

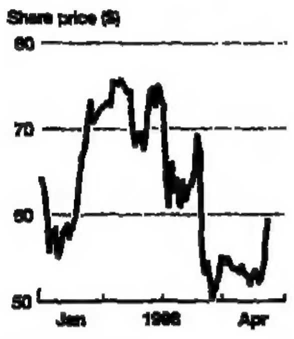
Wall Street

Digital Equipment's forecast of stronger personal computer sales in the fourth quarter helped spur continued gains in the technology sector that led the Nasdaq composite to outperform other indices, *writes Lisa Bransten in New York.*

Near 1 pm the Nasdaq, which is weighted toward the technology sector, was on course to hit a fourth consecutive record close with a gain of 7.21 at 1,160.71. The Pacific Stock Exchange technology index was 1.5 per cent higher.

Digital Equipment helped add to renewed optimism in the technology sector even though its first-quarter net income came in at analysts' estimates of 74 cents a share.

Digital Equipment



Source: Datastream

In early trading the stock, traded on the New York Stock Exchange, was up $5¼ or 9 per cent at $60⅞. Compaq Computer added $1⅛ at $43⅞.

The forecast of an end to the recent weakness in computer sales was good news for several of the semiconductor companies that trade on the Nasdaq. Applied Materials added $1⅞ at $38⅞, Lam Research was $1¼ stronger at $39 and Intel gained $¾ at $68.

Iomega, a manufacturer of disk drives, jumped $6⅞ or 17 per cent to $48¼ after announcing a 2-for-1 stock split.

Earnings reports were the focus of the broader indices. The Dow Jones Industrial Average was nearly flat as Disney slipped $⅝ to $61⅞ after reporting weaker than expected results, while United Technologies rose $¾ to $114 after beating analysts' estimates.

At 1 pm the Dow was still 6.14 firmer at 5,570.88. The Standard & Poor's 500 rose 1.08 to 648.97 and the American Stock Exchange composite added 0.58 at 587.95. NYSE volume was 252m shares.

The Dow Jones transportation index gave up 27.29 or 1.2 per cent at 2,186.46 as worries about higher fuel costs sent jitters through the airline sector. UAL, parent of United Airlines, shed $4½ or 2 per cent to $213 in spite of beating estimates for first-quarter earnings. Southwest Airlines fell $2¼ or 7 per cent to $30⅛ after revealing first-quarter earnings of 22 cents a share, 2 cents below analysts' estimates.

Salomon Inc, the parent of Salomon Brothers, added another $¼ to the $1⅞ it has advanced since last Thursday as investors bet on strong earnings, bringing the shares to $41.

The investment bank reported earnings of $2.21 a share, $1.17 a share ahead of analysts' estimates.

Canada

Toronto was higher at midsession, helped by Monday's momentum and firming high-technology and gold stocks. The TSE 300 composite index was 13 higher by noon at 5,108.50 in volume of 46.5m shares.

Scotts Hospitality fell 15 cents to C$13.10 in a consolidation after its rise which followed the takeover offer from Laidlaw.

Bre-X Minerals, the gold miner, rose in early trade after opening for the first time on the TSE, before settling back at a price near Monday's close on the Alberta exchange. It hit a high of C$192.75 but fell back to C$187.

Telmex hurts Mexico

Mexican stocks slid after trading resumed following an early systems fault, and traders said that the market was weighed down by a negative reaction to Telefonos de Mexico's first-quarter earnings.

Late on Monday Telmex reported quarterly earnings of 37 centavos per share, or $0.99 per ADS, above estimates but beset by poor operational performance due to disappointment in tariff increases.

The IPC index was standing 35.26 off at 3,215.97 at midsession. Telmex L shares fell 2.5 per cent. Chartists suggested that the market appeared to show strong support at 3,200.

SANTIAGO, which attained a seven-week high on Monday, slipped in early trade as investors await the release of first-quarter results due by the end of the month.

The general index was down 25.06 points at 5,510.38.

Industrials in sharp retreat

Industrials retreated from Monday's record highs on profit-taking, with dealers remarking that the market now seemed about to be entering a consolidation phase.

Since April 11, when the latest rally began, the industrials index has surged by almost 7 per cent, largely on the back of hefty gains in rand hedge stocks which were boosted by a falling domestic currency.

An analyst said foreign investors were selling selective stocks, such as Anglos and De Beers, while falls in Sasol and SA Breweries were just down to profit-taking.

Gold issues finished a lacklustre day a touch weaker, again taking a back seat to industrials, and were uninspired by bullion's attempts at an assault on the $392 an ounce level.

The overall index was off 57.0 at 7,013.2, the industrials index dropped 93.9 to 8,516.8 and the gold shares index dipped 6.0 to 1,857.9.

De Beers declined R1 to R136, SA Breweries finished R3.25 down at R135.50, Sasol slipped R1.45 to R44.80 and Sappi receded R1.50 to R55.25.

EUROPE

Profit-taking pulls Milan back from early peak

Profit-taking pulled MILAN back from its best early levels, which were an extension of the euphoria on Monday that greeted the outcome of the general election, while individual developments also made for some sharp price movements.

The Comit index rose 11.04 to 656.85, while the real-time Mibtel index turned back from a high of 10,588 to finish 20 ahead at 10,442.

Mr Andrea Azzimondi at CS First Boston, bullish before the election, remained optimistic, holding to his index targets of 700 by the end of June and 725 by the close of the year.

He noted that the outcome of the election had been much more clear cut than most people had expected and described yesterday's profit-taking as a healthy sign after Monday's surge in prices.

Mr Roberto Bogoni at Merrill Lynch, another enthusiast for the market, noted that turnover swelled to a near-record L2,000bn, from a recent daily average of L400bn to L500bn, with investors focusing largely on large-cap and interest rate-sensitive stocks at the expense of small-caps.

Stet, the state controlled telecommunications giant, added L159 at L5,174 on comments by Mr Romano Prodi, the centre-left leader, that Italy should aim to begin the sale of the group this year.

A number of reasons were offered for a L233 fall to L5,500 in Fiat, whose board meets today to examine the 1995 results.

Some investors were said to be increasingly worried that the strengthening lira might have hurt first-quarter earnings, while the company's plan to invest L20,000bn between 1996 and 2002 on 15 new car models was above many analysts' expectations.

Montedison tumbled L87.4 to L906 after Monday's suspension when the company announced a capital writedown but said that it had posted net profits of L1,070bn in 1995.

FRANKFURT ended the floor trade in a positive frame of mind with the Dax up 4.27 at 2,550.18. Ibis trade did little to help, the index easing to 2,549.12.

KHD moved ahead 50 pfgs or 6.4 per cent to DM8.35 after the company reported that it expected to narrow its losses during the current year and was likely to return to stability in 1997. Linotype-Hell made DM2.50 to DM118.50 on news that it also hoped to cut its losses during the current year.

Siemens added DM5.80 at DM836.80 ahead of today's first-half results. Analysts were expecting net profits to rise to around DM1.1bn in the six months to March from DM939m a year earlier.

Volkswagen was up DM8.75 to DM546.75 as the motor manufacturer reported net profits of DM116m in the first quarter.

ZURICH was pressured by profit-taking, with neither the stronger trend of the dollar, nor the positive interest rate outlook, able to halt the slide. The SMI index retreated 25.9 to 3,647.2.

Roche certificates fell SFr130 to SFr9,790 as worries grew ahead of today's 1995 results and as long standing rumours resurfaced in London that the Swiss group had Zeneca in its sights as a takeover target.

Sandoz slipped SFr10 to SFr1,370 as its shareholders formally approved the merger with Ciba, SFr9 easier at SFr1,462. Sandoz said later that it did not expect the regulatory approvals needed for the merger to come before the end of the summer.

PARIS began to discount an interest rate cut tomorrow and the CAC-40 index closed 4.56 down at 2,111.98. Turnover was high at FFr6.5bn.

Eurotunnel added to Monday's fall with another drop of 15 centimes to FFr5.30 as a number of analysts made negative comment following the group's record 1995 loss.

FT-SE Actuaries Share Indices

Apr 23 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1685.48	1685.95	1685.56	1683.36	1686.00	1682.93	1683.02	1682.48
FT-SE Eurotrack 200	1738.07	1737.29	1735.51	1736.81	1737.87	1736.36	1734.86	1733.74

THE EUROPEAN SERIES

	Apr 22	Apr 19	Apr 18	Apr 17	Apr 16
FT-SE Eurotrack 100	1691.77	1655.01	1649.21	1648.65	1652.07
FT-SE Eurotrack 200	1737.29	1719.88	1708.74	1708.59	1713.18

Base value 1000 (26/10/90); High/day: 100 - 1686.80; 200 - 1738.36 Low/day: 100 - 1681.44 200 - 1732.89. † Partial.

Paribas moved up FFr1 to FFr326 after the company said that it was optimistic about prospects for the year, and Remy Cointreau rose FFr5.30 to FFr150.50 on year to March sales data.

MADRID seized on the Bank of Spain's decision to leave its key money rate unchanged at its regular repo auction as an excuse to take profits, and the general index slipped 0.86 to 357.07.

Shares in Banco Popular overturned a sharp early gain to close Pta210 weaker at Pta21,720 on results indicating disappointing growth in quarterly customer loans and deposits.

STOCKHOLM featured an SKr28 jump to SKr385 in Autoliv after the car safety equipment maker unveiled better than expected first-quarter profits. The Affärsvärlden index eased 6.9 to 1,942.6, although banks put in a strong showing, rising 0.7 per cent after the central bank's decision to cut the repo rate to 6.9 per cent from 7.15 per cent.

OSLO climbed to a record close in high turnover. The Total index moved up 3.20 to 816.74, for its 13th consecutive gain. Turnover swelled to NKr1.24bn, well above the daily average.

Bergesen was supported, with the shipping company's shares rising NKr4.50 to NKr118.50.

Lifted by the FDA's approval of one of its products, Hafslund Nycomed appreciated NKr3.50 to NKr181.50.

HELSINKI made its eighth successive gain, boosted by the strength of the dollar and Nokia. The Hex general index closed at a 21-week high, up 0.6 per cent at 1,913.96 in turnover of FM345m.

Nokia announced a FM700m order from Telecom Finland and the company's shares moved forward to a five-week peak of FM170.50, up FM2.50 on the day.

COPENHAGEN moved to yet another 1996 high, but came off the top during the session. The KFX index made 0.48 to 114.49 in DKr1.1bn turnover.

AMSTERDAM was little changed with some profit-taking emerging. The AEX index slipped 0.08 to 552.25, after a day's high of 554.36.

BUDAPEST staged a further rise yesterday, although the rate of growth was slower and some dealers began to anticipate a correction.

The BUX index attained its third high in a row, closing 16.01 ahead at 2,635.01, as turnover rose to Ft960.6m, from Ft805.6m on Monday.

WARSAW reached another peak for the year, but analysts felt that the time had now come for local investors to take profits. The Wig index climbed 1.9 per cent to 12,370.1 as turnover increased by 22 per cent to 170.7m zlotys.

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Inflation data help to lift Sydney by 1.4 per cent

Tokyo

Profit-taking and technical sales eroded early gains and the Nikkei average closed marginally lower on the day, *writes Emiko Terazono in Tokyo.*

The 225-share index lost 4.01 at 22,119.88 after fluctuating between 22,104.80 and 22,216.54. Domestic institutional investors, including banks, life insurance companies and investment trusts, were buyers and helped to lift the index in the morning session. However, a decline in futures prices later on prompted arbitrage unwinding, while profit-taking also weighed on the Nikkei.

Volume rose to 583m shares from 478.6m in spite of inactive brokerage dealers, who refrained from trading ahead of the Golden Week holidays next week. The Topix index of all first section stocks edged ahead 6.19 to 1,702.61 and the Nikkei 300 firmed 1.21 to 315.46. Advances led declines by 569 to 510, with 155 issues remaining unchanged.

In London the ISE/Nikkei 50 index gained 1.91 at 1,480.53.

While overall investor confidence remained strong, some analysts said many market participants were becoming cautious. "The technical indices show that the Nikkei is overheating and the index cannot rise onehandedly," said Mr Makoto Tatara at Daiwa Securities. The yen's strength against the dollar and increased profit-taking by foreign investors also weighed on confidence.

DDI, a telecom company, gained Y9,000 at Y905,000 on reports that it would shift its mobile telephones to digital systems from analogue in 1998. Other telecom stocks were also higher, with Nippon Telegraph and Telephone up Y2,000 to Y808,000.

High-technology shares were mixed. TDK rose Y140 to Y6,080 and Kyocera moved ahead Y20 to Y7,860, but Toshiba edged down Y1 to Y826 and Sony slipped Y30 to Y6,820.

Hopes of a revival of trading in the property market boosted real estate companies. Mitsui Fudosan improved Y20 to Y1,370 and Mitsubishi Estate put on Y10 at Y1,440.

Rubbers and textiles issues gained ground as laggards. Bridgestone rose Y40 to Y1,860 and Yokohama Rubber added Y26 at Y692.

In Osaka, the OSE average rose 108.75 to 23,563.17 in volume of 107.3m shares. Nintendo, the video game maker, was up Y200 to Y7,600.

Roundup

SYDNEY accelerated to its highest close in nearly two months, with the All Ordinaries index climbing 32.6 or 1.4 per cent to 2,300.0. Turnover totalled 420.7m shares valued at A$652.7m.

Bonds moved ahead on weaker than expected inflation data, which showed that Australia's consumer price index had risen 0.4 per cent in the first quarter.

The banking and finance index advanced 1.9 per cent, supported by Commonwealth Bank, up 19 cents to A$10.54, and National Australia Bank, 23 cents higher at A$11.39.

Clyde Industries, a heavy engineering company, jumped 23 cents or 15 per cent to A$1.80, with around 13 per cent of the company's shares changing hands, on takeover rumours.

TAIPEI ended lower in heavy trading following reports of the government's plan to sell stakes in three state-run commercial banks.

The financial sector tumbled 5.3 per cent and led to widespread selling, the weighted index falling 145.84 or 2.4 per cent to 5,907.01.

Volume came to 2.6bn shares worth T$113.1bn.

The three banks all posted big losses, Chang Hwa Commercial Bank weakening T$10.5 to T$146.5, First Commercial Bank T$11.0 to T$147.0 and Hua Nan Commercial Bank T$8.0 to T$136.5.

HONG KONG was broadly lower, led down by a decline in the banking sector on concern that increasing competition for mortgage loans would hurt profits. The Hang Seng index ended 20.93 down at 10,889.05, off a session's high of 10,961, while the finance sub-index dropped 1.3 per cent.

Investment funds were among the heaviest sellers of bank stocks. The retreat was led by Hang Seng Bank, which shed HK$2.25 to HK$77.25.

SINGAPORE fell prey to caution over possible measures to curb speculation in the private property market, and while the Straits Times Industrial index was flat, just 0.23 softer at 2,378.73, the property index slid 3.2 per cent.

Losses were led by City Development, which surrendered 70 cents to S$12.20, but analysts commented that the property sector was ripe for a correction after recent sharp increases.

KUALA LUMPUR was lower on heavy profit-taking in second board stocks, but gains in some key blue chips helped to limit the fall in the composite index to just 0.35 at 1,173.88.

News that Bank Negara had called for a special meeting with chief executives of all commercial banks during the afternoon prompted concerns about tighter monetary policy and brought sellers into the market. However, equity prices recovered from their lows after the meeting was cancelled.

SEOUL was weak as fears of share oversupply and rumours of financial trouble at a construction company sparked profit-taking. The composite stock index relinquished 10.06 at 940.55.

The market began strongly before concerns were raised by news that the exchange would list the shares of three banks, Dong Hwa Bank, Dae Dong Bank and Dong Nam Bank, around July. All are currently traded on the over-the-counter market.

SHENZHEN's local currency A index of shares only available to domestic investors jumped 4.4 per cent to close at a high for the year as institutional investors increased positions in low-priced issues. The index added 5.97 at 140.71.

MANILA rose on heavy foreign buying, as investors took the view that the second half would be better for companies because of low inflation data.

The composite index gained 22.73 at 2,996.50 in turnover of 5.7bn shares valued at 3.24bn pesos.

BANGKOK was only modestly higher, with the SET index finishing 1.22 points ahead at 1,296.44. About 71.2m shares valued at Bt5.7bn changed hands, up from the previous session's 59.5m shares worth Bt4.7bn.

Dealers said the market, helped by renewed buying interest from institutions, rebounded after hitting an intra-day low of 1,288.02. But selling pressure persisted among the major banks and finance stocks.

JAKARTA moved down as foreign investors stayed away. Some dealers suggested that interest among these investors appeared to be shifting to Manila.

The JSX index eased 0.5 to 627.8, with losers outnumbering gainers by 68 to 58, whereas 42 shares went unchanged and 80 untraded.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY APRIL 22 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY APRIL 19 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	204.50	0.6	200.62	137.85	161.22	172.92	0.6	3.99	203.30	198.80	137.46	159.14	172.89	205.73	162.88	169.74
Austria (25)	187.30	0.2	183.75	126.25	147.88	147.51	0.9	1.90	186.90	182.58	126.37	146.31	146.16	199.28	158.11	158.24
Belgium (33)	208.60	-0.8	204.65	140.61	164.45	160.35	-0.1	4.14	210.26	205.40	142.17	164.59	160.49	215.81	186.06	192.83
Brazil (28)	155.27	-0.1	152.32	104.66	122.41	283.35	-0.1	1.41	155.44	151.84	105.10	121.67	283.56	170.25	121.63	121.63
Canada (98)	161.16	0.5	158.10	108.63	127.06	158.99	0.5	2.36	160.41	156.70	108.46	125.57	158.24	161.58	134.14	134.95
Denmark (30)	297.62	0.0	291.97	200.61	234.63	236.76	0.7	1.90	297.57	290.68	201.20	232.93	235.08	305.17	266.36	266.36
Finland (24)	182.00	0.3	178.55	122.68	143.48	182.25	0.7	2.72	181.45	177.26	122.68	142.04	181.00	276.11	171.73	187.47
France (97)	197.21	0.6	193.46	132.93	155.47	158.71	1.0	3.01	196.05	191.51	132.56	153.46	157.12	197.21	167.70	184.11
Germany (60)	171.49	-0.4	168.24	115.60	135.20	135.20	0.3	1.84	172.14	168.16	116.39	134.75	134.75	174.38	149.49	150.47
Hong Kong (59)	428.26	0.4	420.14	288.67	337.62	425.34	0.4	3.32	426.57	416.71	288.42	333.92	423.61	431.19	323.87	344.22
Ireland (16)	276.48	-0.3	271.23	186.36	217.96	249.48	0.2	3.33	277.20	270.79	187.43	216.98	249.04	277.20	220.31	221.74
Italy (59)	82.92	6.8	81.35	55.89	65.37	98.07	5.7	2.06	77.64	75.84	52.49	60.77	90.93	82.92	67.22	70.75
Japan (481)	159.55	1.4	156.53	107.55	125.79	107.55	1.1	0.71	157.36	153.74	106.41	123.19	106.41	164.82	137.75	163.02
Malaysia (107)	577.22	0.7	566.27	389.08	455.05	553.95	0.5	1.58	573.34	560.08	387.66	448.81	551.15	577.22	425.77	491.33
Mexico (18)	1308.51	-0.5	1281.71	880.65	1029.98	10534.24	-1.1	1.29	1313.81	1283.23	888.18	1028.29	10648.10	1313.81	791.98	900.09
Netherland (19)	289.78	0.0	284.26	195.32	228.44	224.30	0.7	3.15	289.72	283.02	195.89	226.79	222.72	291.80	237.16	241.37
New Zealand (15)	82.25	-0.2	80.69	55.44	64.84	63.71	-0.1	4.29	82.46	80.55	55.75	64.55	63.80	85.40	76.28	82.74
Norway (33)	248.74	0.6	244.02	167.66	196.09	220.18	1.0	2.35	247.31	241.59	167.22	193.59	217.98	248.74	215.04	220.85
Singapore (44)	442.89	-0.5	434.48	298.53	349.15	287.67	-0.4	1.32	445.15	434.85	300.98	348.48	288.94	465.21	355.61	369.64
South Africa (45)	381.77	2.0	374.52	257.33	300.97	355.05	1.7	2.02	374.12	365.47	252.96	292.86	348.96	437.78	336.91	348.91
Spain (37)	178.38	0.2	175.00	120.74	140.63	170.38	0.8	3.25	177.97	173.86	120.33	139.31	169.07	178.38	135.36	135.36
Sweden (48)	349.12	1.2	342.49	235.32	275.23	346.81	1.4	2.30	344.80	336.82	233.13	269.90	341.89	352.28	241.88	241.88
Switzerland (38)	245.53	0.9	240.88	165.50	193.57	186.76	1.2	1.52	243.40	237.77	164.57	190.54	184.45	252.34	184.11	184.78
Thailand (46)	177.60	-1.4	174.23	119.71	140.01	174.32	-1.3	1.88	180.06	175.90	121.75	140.95	176.63	193.95	137.98	137.98
United Kingdom (202)	236.23	-0.5	231.75	159.23	186.23	231.75	-0.1	3.86	237.43	231.93	160.53	185.85	231.93	237.43	208.12	208.22
USA (627)	264.34	0.5	259.33	178.18	208.40	264.34	0.5	2.19	263.11	257.03	177.90	205.96	263.11	268.11	207.92	207.92
Americas (772)	241.67	0.5	237.08	162.89	190.52	203.09	0.5	2.19	240.57	235.01	162.66	188.32	202.18	245.54	190.51	190.51
Europe (722)	211.35	0.3	207.34	142.46	166.62	185.93	0.7	2.87	210.70	205.82	142.46	164.93	184.80	211.35	181.25	181.25
Nordic (138)	297.60	0.9	291.95	200.60	234.62	260.21	1.2	2.29	295.03	288.21	199.48	230.95	257.15	297.60	234.18	234.18
Pacific Basin (832)	172.42	1.2	169.15	116.22	135.93	118.93	0.9	1.13	170.41	166.47	115.22	133.39	117.87	172.42	146.86	170.19
Euro-Pacific (1554)	188.53	0.8	184.95	127.08	148.63	144.34	0.8	1.99	187.09	182.76	126.50	146.45	143.18	188.53	166.51	174.70
North America (726)	257.93	0.5	253.04	173.86	203.34	257.24	0.5	2.20	256.73	250.79	173.59	200.97	256.04	262.26	203.40	203.40
Europe Ex. UK (520)	192.67	0.8	189.01	129.87	151.89	159.37	1.2	2.43	191.22	186.80	129.29	149.69	157.54	192.67	162.71	162.71
Pacific Ex. Japan (351)	292.77	0.3	287.21	197.34	230.81	252.88	0.2	2.92	291.81	285.06	197.30	228.43	252.47	293.73	237.71	243.16
World Ex. US (1744)	189.76	0.8	186.15	127.90	149.59	148.75	0.6	1.99	188.30	183.94	127.31	147.40	147.56	189.76	167.36	174.93
World Ex. UK (2169)	210.12	0.8	206.14	141.63	165.65	177.10	0.7	1.88	208.54	203.72	141.00	163.24	175.80	210.12	179.23	182.37
World Ex. Japan (1890)	242.10	0.4	237.51	163.19	190.86	229.61	0.5	2.50	241.09	235.52	163.01	188.73	228.26	242.39	198.16	198.16
The World Index (2371)	212.46	0.7	208.43	143.21	167.49	182.04	0.7	2.08	211.10	206.22	142.73	165.25	180.94	212.46	181.82	184.66

CONSTITUENT CHANGES WITH EFFECT 24/4/96: Deletions: Electrabel (V V P R) and Royal Belge (V V P R) (both Belgium). Latest prices were unavailable for this edition.

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